Sustainability Report 2009

SaskPower
Powering the future

On the cover: Island Falls Hydroelectric Station,
near Sandy Bay, Saskatchewan

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About this document

This is our first sustainability report. It outlines the 2009 environmental, economic and social performance of our company while discussing the challenges ahead in 2010 and beyond. It aligns SaskPower with the principles of the Canadian Electricity Association's (CEA) Sustainable Electricity (SE) program, to which we make a submission annually.

In determining the scope of this report, we consulted with a range of stakeholders and looked to sustainability reporting best practices. It is our intent to provide information and measures that disclose environmental, economic and social impacts. As SaskPower's sustainability program evolves, we will be adjusting the indicators and targets that appear in this report. In addition to adapting our efforts to reflect what our stakeholders have told us is important to them, we will be reporting on much of what we collect for the CEA's SE program.

We invite you to view this report online and to learn more about our company by visiting saskpower.com.

Feedback

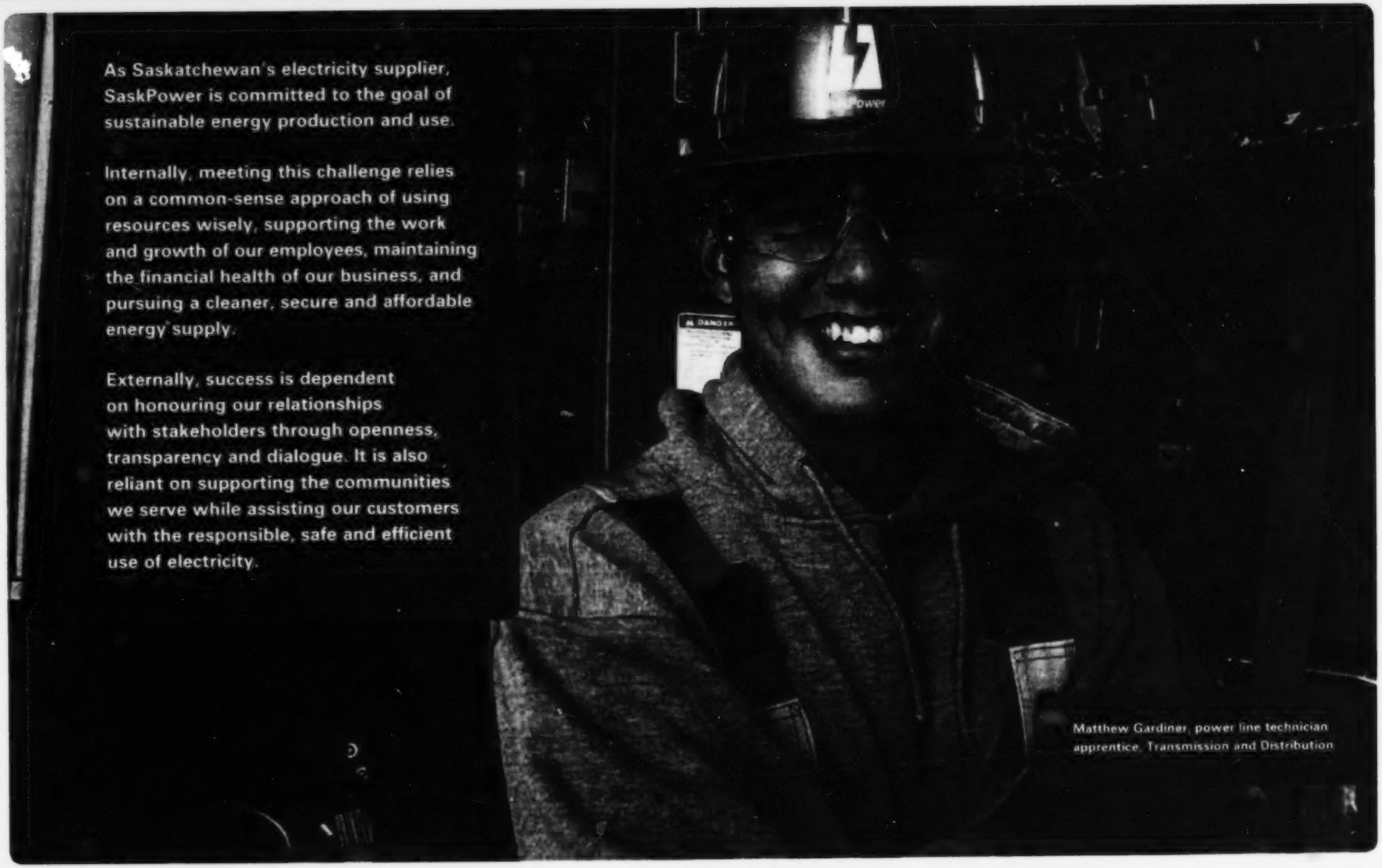
We'd like to hear from you. Tell us what you think about our sustainability report or our company. Email your comments to environmental_programs@saskpower.com.

The company we aspire to be

As Saskatchewan's electricity supplier, SaskPower is committed to the goal of sustainable energy production and use.

Internally, meeting this challenge relies on a common-sense approach of using resources wisely, supporting the work and growth of our employees, maintaining the financial health of our business, and pursuing a cleaner, secure and affordable energy supply.

Externally, success is dependent on honouring our relationships with stakeholders through openness, transparency and dialogue. It is also reliant on supporting the communities we serve while assisting our customers with the responsible, safe and efficient use of electricity.



Matthew Gardiner, power line technician apprentice, Transmission and Distribution

A message to our stakeholders

An engaging challenge

Welcome to our first SaskPower Sustainability Report. It represents a next step in strengthening our communication and engagement with all of our stakeholders about our company's performance. It replaces our Environment Report, which we issued annually since 1993 to inform our customers, non-governmental organizations, regulators and others of the wide range of environmental issues we face and the initiatives undertaken by our company in response to these challenges.

This broader form of reporting aligns with a strong global trend toward increased corporate accountability and transparency. It also reflects the principles of the Canadian Electricity Association's Sustainable Electricity program. By adding social and economic measures alongside environmental reporting, our aim is to deliver a fuller picture to our stakeholders that will also help us identify further advancements we need to undertake.

The energy of collaboration

When we think of the company we aspire to be, we see SaskPower delivering service excellence alongside strong environmental performance, economic accountability and social responsibility. To achieve this, we must not only talk to people, but also listen. We believe an exchange of opinions and ideas is a key element of sustainability.

Within our province, Saskatchewan's energy future is top of mind for many people. We are facing the need to revitalize a large portion of our aging infrastructure while meeting growing electricity demand. In fact, in the next 20 years we'll have to rebuild, replace or acquire approximately 3,900 megawatts (MW) of electricity while expanding and strengthening a significant amount of our transmission and distribution system.

Recently, we were pleased to participate in the provincial government's Standing Committee on Crown and Central Agencies inquiry into Saskatchewan's energy needs. We took advantage of the opportunity to share SaskPower's new electricity and conservation strategy while also hearing a diverse range of perspectives from stakeholders on how we could meet the province's future energy needs.

While we received positive support for most of the activities our company is undertaking, we also heard loudly and clearly that we could more aggressively pursue some alternative avenues to meet the needs of our customers. We will take into consideration the valuable opinions we heard during this process as we continue our planning for infrastructure renewal and expansion. And we will encourage stakeholders to continue the dialogue on how we can become a better company.

Realizing our potential

Throughout the world, dealing with climate change remains one of the greatest challenges. As a company that has historically relied heavily on coal for much of our electricity, there is no question that addressing our production of carbon will have a major impact on our business. And we must further address other emissions issues as well.

We are hopeful carbon capture and storage (CCS) can be part of not only a local solution, but also a global answer. The 2009 BP Statistical Review of World Energy reports that for the sixth consecutive year, coal was the fastest growing fuel source around the globe. As a result, the impact of the successful development of CCS could reach far beyond our borders.

When we think of the company we aspire to be, we see SaskPower delivering service excellence alongside strong environmental performance, economic accountability and social responsibility.

We are continuing a comprehensive examination of the potential development of one of the world's first and largest integrated CCS projects based at Boundary Dam Power Station. Captured carbon dioxide could be used in enhanced oil recovery by injecting it to revive production in depleted oilfields. At the same time, SaskPower's Emissions Control Research Facility is leading the way by working with a range of partners to find solutions for the more effective reduction of other emissions, such as mercury, nitrogen oxides, sulphur dioxide and particulate matter.

As we research new control technologies, our short-term needs are being addressed with the addition of low- or non-emitting forms of generation while strengthening energy conservation and efficiency initiatives. We have added two natural gas generating facilities and have signed power purchase agreements for 86 MW and 261 MW of gas-fired electricity.

This additional gas-fired generation will strengthen our quick-starting back-up capability, allowing us to double our wind power capacity through Independent Power Producers involved in the new Green Options Plan and Green Options Partners Program. The latter will also allow for the development of other proven clean sources, such as biomass, heat recovery or low-impact hydro.

Supporting the transition

For SaskPower, sustainability means much more than a secure and cleaner supply of energy. As we continue to make record capital investments in infrastructure, it is critical that we maintain a solid financial position. We have introduced a new Efficiency and Effectiveness Program to help identify areas for improvement. The goal is to find and remove, or avoid, $2 billion in operating costs over the next 10 years.

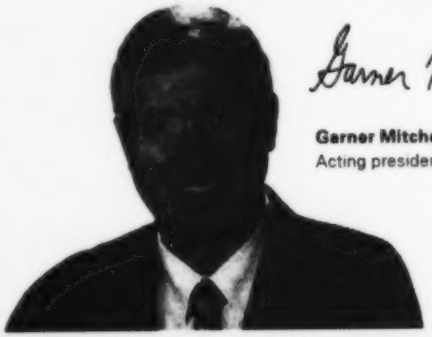
The ability to take our company forward largely rests with our employees, who must always work with sustainability in mind. That's why we are committed to build a work environment where personal growth is supported, the transfer of knowledge is facilitated, creativity thrives, diversity is celebrated, and employee engagement is strong. Most importantly, we want to ensure the absolute safety and health of employees, contractors and the public.

The power of new beginnings

With the challenges SaskPower faces regarding sustainability, we see tremendous opportunities. We believe safe, affordable and secure energy is a cornerstone of the high quality of life we enjoy in Saskatchewan. And we also recognize its responsible use as key to preserving our natural environment.

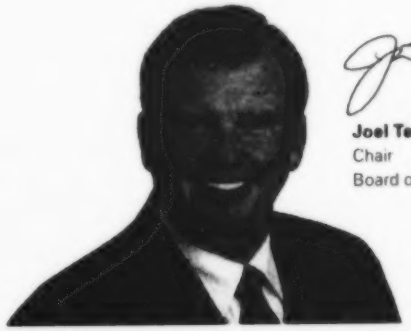
Our journey toward improving SaskPower's sustainability performance will be ongoing. Key to our efforts will be knowledge building, as well as the pursuit and application of new technologies. As our company's overall strategy continues to evolve, our annual sustainability report will be used to communicate our challenges and efforts while tracking progress.

We are excited at the prospect of joining with employees, customers and stakeholders to reach a common goal — sustainable electricity production and use. We look forward not only to your feedback about this report, but also to how we might contribute more effectively to meeting our shared objective.



Garner Mitchell

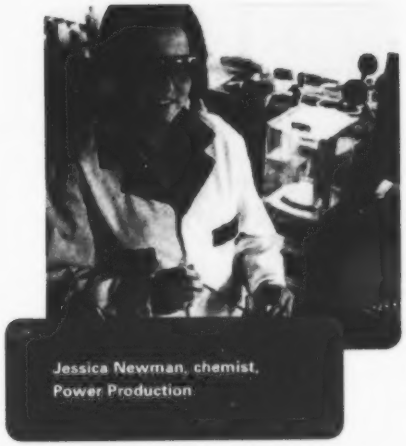
Garner Mitchell
Acting president and chief executive officer



Joel Teal

Joel Teal
Chair
Board of Directors

About us



Jessica Newman, chemist, Power Production

Corporate profile

Since 1929, SaskPower has delivered electricity throughout our vast province. Today, we strive to serve an increasingly diverse customer base of more than 467,000 customers. SaskPower's team is made up of over 2,600 permanent full-time employees in 71 communities. We manage $4.9 billion in generation, transmission and distribution assets. Our company operates three coal-fired power stations, seven hydroelectric stations, five natural gas stations and two wind facilities. Combined, they generate 3,371 megawatts (MW) of electricity.

SaskPower also buys power from the SunBridge Wind Power Project, Meridian Cogeneration Station, Cory Cogeneration Station, and NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects. At the end of 2009, our company's total available generation capacity was 3,840 MW.

SaskPower's network serves a large geographic area and widely dispersed population. About three customers are supplied per circuit kilometre. We maintain more than 157,000 kilometres of power lines, 56 high voltage switching stations and 184 distribution substations.

Our company also has interties at the Manitoba, Alberta and North Dakota borders.

SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act*.

Strategic direction

Our company's strategic direction — articulated in detail within SaskPower's Strategic Plan — is created with input from our employees, executive, and Board of Directors. It is aligned with the objectives of our shareholder, the Crown Investments Corporation of Saskatchewan.

SaskPower's corporate vision acts as a rallying point by reminding us of the ideals we are pursuing and what we want to achieve in years to come. Our mission tells us why our business exists and defines its unique purposes.

Our values are the fundamental principles that guide and govern our behaviour. And our strategic priorities provide us with clear operational objectives that will guide us to the achievement of our vision.

- Vision: People, innovation and partnerships ... powering Saskatchewan to a bright future.
- Mission: Safe, reliable and sustainable power for our customers.
- Values: Responsive, respectful, progressive and accountable in everything we say, do and offer.
- Priorities:
  1. Proud and productive employees.
  2. Loyal and satisfied customers.
  3. Informed and engaged stakeholders.
  4. Dependable and secure infrastructure.
  5. Efficient and effective operations.
  6. Strong environmental stewardship and performance.
  7. Prudent financial management and growth.

Operating statistics

Available generating capacity (net MW)

	2009	2008	2007	2006	2005
Coal	**1,682**	1,682	1,661	1,661	1,651
Gas	**1,112**	913	976	976	976
Hydro	**854**	854	854	854	854
Wind	**172**	172	172	172	22
Other	**20**	20	5	5	–
	3,840	3,641	3,668	3,668	3,503

Net electricity supplied (GWh)

	2009	2008	2007	2006	2005
Coal	**12,317**	11,405	11,661	11,102	11,467
Gas	**3,432**	3,812	3,545	3,556	3,234
Hydro	**2,962**	4,030	4,393	4,032	4,573
Wind	**579**	574	620	573	92
Imports	**440**	587	316	451	481
Other	**134**	72	36	–	–
Gross electricity supplied	**19,864**	20,480	20,571	19,714	19,847
Line losses	**(1,875)**	(1,879)	(1,797)	(1,834)	(1,666)
Net electricity supplied	**17,989**	18,601	18,774	17,880	18,181

Lines in service (km)

	2009	2008	2007	2006	2005
Transmission lines	**12,404**	12,311	12,216	12,212	12,159
Distribution lines	**145,169**	144,350	143,602	142,843	142,110
	157,573	156,661	155,818	155,055	154,269

Peak loads (net MW)

	2009	2008	2007	2006	2005
Annual peak load	**3,231**	3,194	2,969	2,960	2,946
Minimum load	**1,561**	1,664	1,583	1,510	1,482
Summer peak load	**2,773**	2,834	2,879	2,706	2,639

Number of permanent full-time employees

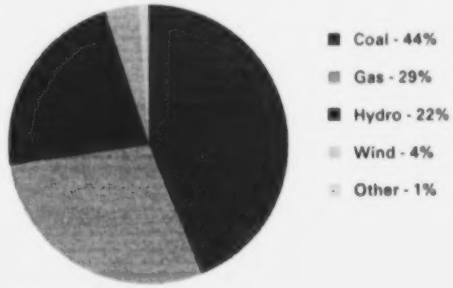
2009	2008	2007	2006	2005
2,653	2,541	2,488	2,458	2,425

Financial statistics (in millions)

Consolidated statement of income

	2009	2008	2007	2006	2005
Revenue					
Saskatchewan electricity sales	**$ 1,447**	$ 1,385	$ 1,356	$ 1,269	$ 1,181
Exports	**12**	33	57	29	68
Net sales from electricity trading	**7**	17	11	15	9
Other revenue	**80**	54	45	40	31
Total revenue	**1,546**	1,489	1,469	1,353	1,289
Operating costs					
Net fuel and purchased power	**509**	545	481	498	454
Operating, maintenance and administration	**523**	430	416	360	336
Depreciation and amortization	**233**	234	219	207	189
Finance charges	**149**	153	167	161	147
Taxes	**39**	35	35	34	32
Total operating costs	**1,453**	1,397	1,318	1,260	1,158
Operating income	**$ 93**	$ 92	$ 151	$ 93	$ 131
Unrealized natural gas risk management activities	**10**	(28)	(13)	–	–
Net income	**$ 103**	$ 64	$ 138	$ 93	$ 131

2009 available generation capacity – 3,840 MW



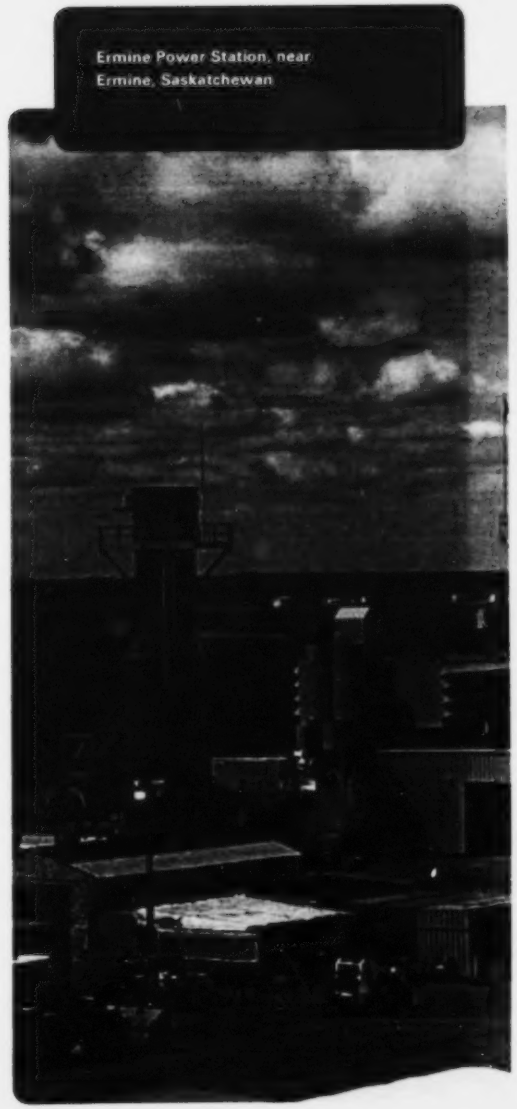
2009 highlights

At SaskPower, the ongoing quest for sustainability requires a corporate-wide commitment. From power line technicians and plant engineers to customer service representatives and safety coordinators, each of our more than 2,600 employees has an important role to play. And they know the actions they take will have an effect not only on their workplace, but also on our customers, communities and the world around us.

We are also looking beyond SaskPower, partnering with a range of stakeholders to access their expertise, resources and experiences. Our goal is to help generate an energy future where we produce electricity that is environmentally responsible, safe, reliable and enhances quality of life and economic competitiveness in Saskatchewan.

Environmental performance

- Business case for the Boundary Dam Demonstration ICCS Project — one of the world's first and largest integrated carbon capture and storage demonstrations — continued.
- Feasibility study initiated for the creation of a Saskatchewan-based neutral testing platform for different carbon capture and storage technologies.
- Plan to double Saskatchewan wind power capacity announced.
- Request for qualifications issued under new Green Options Plan for up to 175 megawatts (MW) of wind power.
- Green Options Partners Program announced for up to 50 MW of renewables — including up to 25 MW of wind — from private sector developers.
- Funding for customer geothermal systems expanded and enhanced.
- Commercial operation of new mercury control system begins at Poplar River Power Station.
- More than 6,000 pad-mounted transformers examined to ensure compliance with new federal PCB regulations.
- Excavation and treatment of PCB-contaminated soil from former Federal Pioneer Ltd. property in Regina completed.
- SaskPower Shand Greenhouse distributes 545,128 seedlings for natural habitat preservation and restoration.
- Annual financial support continued to Ducks Unlimited Canada for programs aimed at the conservation of ducks, migratory birds and their habitats.



Ermine Power Station, near Ermine, Saskatchewan

Our goal is to help generate an energy future where we produce electricity that is environmentally responsible, safe, reliable and enhances quality of life and economic competitiveness in Saskatchewan.

Economic performance

- Operating income of $93 million.
- Per cent debt ratio of 61.4%.
- Over $1 billion flows from SaskPower into the province's economy through the procurement of goods and services from Saskatchewan suppliers, the purchase of coal, the acquisition of electricity from Independent Power Producers, and the payment of wages and benefits to employees.
- Approximately $2 billion in efficiency and effectiveness savings targeted for next 10 years.
- Record $640-million investment made in provincial electrical infrastructure.
- System generating unit equivalent availability factor highest ever recorded.
- Three simple cycle gas turbine facilities totaling 340 MW commissioned or under construction.
- Power purchase agreement for 86 MW of natural gas-fired power signed with Northland Power.
- Request for proposals issued for up to 400 MW of baseload generation, leading to power purchase agreement with Northland Power for 261 MW of natural gas-fired electricity.
- SaskPower continues work with partners to examine the feasibility of a 500-kilovolt high voltage direct current (HVDC) transmission line running across Saskatchewan, from Calgary to Winnipeg.
- Major overhauls active at Queen Elizabeth Power Station Unit #2 and Boundary Dam Power Station Unit #2.
- Engineering for the refurbishment of two units at E.B. Campbell Hydroelectric Station undertaken.
- Farmyard Power Line Relocation Program and Rural Electrical Distribution Program introduced.
- SaskPower Eneraction introduces new energy efficiency and conservation programs, including Commercial Lighting Program and Municipal Ice Rink Program.
- Demand Response Assessment Project concluded and Demand Response Program commenced.
- Energy Performance Contracting Program contracts signed with two provincial health regions.

Social performance

- SaskPower participates in province-wide dialogue on Saskatchewan's energy future.
- New electricity and conservation strategy publicly released.
- Public consultation programs ongoing, with nine open houses held related to transmission and power production projects.
- Stakeholder and sustainability-related research conducted.
- SaskPower records fewest ever lost days to work-related injuries.
- Public Safety Policy approved.
- Contractor Health and Safety Management Program and Policy developed.
- Energy efficiency and farm safety educational advertising campaigns continue.
- New workforce plan addresses key recruitment and retention issues.
- Enhanced performance management system rolled out.
- Corporate Health and Wellness Program developed.
- SaskPower recognized as one of Canada's best diversity employers.
- SaskPower works with the Black Lake First Nation and three First Nations of the James Smith Cree Nations to explore hydroelectricity development at Elizabeth Falls and on the Saskatchewan River.
- Over $1.5 million invested in province-wide community (culture, sports and charities), education and environment-focused initiatives.

Our approach to sustainability

Structure | Canadian Electricity Association's Sustainable Electricity program

Structure

At SaskPower, our operational philosophy lies within the core of our mission statement — safe, reliable and sustainable power for our customers. As Saskatchewan's sole supplier of electricity, we recognize the leadership we must demonstrate to, and the relationships we must build with, our stakeholders.

Governance
Our company is committed to developing and maintaining a program of continuous improvement. From goal-setting and reporting to performance measurement and stakeholder relations, our approach is centred around the objectives of accountability and transparency.

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of SaskPower. In practice, directives are normally in the following forms: CIC Crown subsidiary policies applying to all CIC Crowns; CIC Board resolutions and directives; and CIC management directives.

As the shareholder of SaskPower, CIC provides oversight of our company's operations. Communication is implemented through written policies and directives issued by CIC's management or its Board of Directors, as well as verbally through discussions with SaskPower leaders. Our company reports to CIC on a regular basis on matters such as Corporate Balanced Scorecard results, financial statements and forecasts, capital expenditures and debt obligations. SaskPower also provides ad hoc reports to CIC upon request.

Where required by legislation or policy directive, our company submits performance management and investment decisions for review and approval by CIC and Provincial Cabinet. Through its chair, the SaskPower Board of Directors is accountable to the Minister Responsible for Saskatchewan Power Corporation. The minister functions as a link between SaskPower and Cabinet, as well as the provincial legislature.

The Legislative Assembly of Saskatchewan appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual reports, financial statements and operations of Crown corporations and related agencies. The Minister Responsible for Saskatchewan Power Corporation and the corporation's senior executives are called before the committee to answer questions about the year under review and issues of topical concern.

Perry Floen, engineering technologist, Transmission and Distribution

SaskPower's strategic direction guides the daily and long-term activities of the company and each employee. In 2009, two new strategic priorities were identified as essential in helping to advance our corporate vision. The new priorities are: "efficient and effective operations" and "informed and engaged stakeholders."

Our company's Board of Directors is responsible for the general stewardship of SaskPower. The Board is accountable to the Minister Responsible for Saskatchewan Power Corporation, who functions as a link between SaskPower and Cabinet, as well as the provincial legislature. The Board is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and business plan.

Our company's Board has standing committees to assist in discharging specific areas of responsibility.

Board of Directors
(as at December 31, 2009)

Chair
- Joel Teal – Saskatoon, Saskatchewan

Vice-chair
- Bill Wheatley – Regina, Saskatchewan

Directors
- Tammy Cook-Searson – La Ronge, Saskatchewan
- Judy Harwood – Saskatoon, Saskatchewan
- Nicholas Kaufman – Regina, Saskatchewan
- Bryan Leverick – Saskatoon, Saskatchewan
- Al Macatavish – Winnipeg, Manitoba
- Mick MacBean – Swift Current, Saskatchewan
- Grant McGrath – Rosetown, Saskatchewan

Secretary to the Board of Directors
- Gina DeVeaux

2010 appointments to the Board of Directors
- Ian Coutts – Kindersley, Saskatchewan
- Mitchell (Mitch) Holash – Prince Albert, Saskatchewan
- Lorne Mysko – Saskatoon, Saskatchewan

* Full biographies are available at saskpower.com.

Our company is committed to regularly revisiting key elements of SaskPower's decision-making processes to ensure we continue to meet best practice standards.

As a Crown corporation, SaskPower is not required to comply with Canadian Securities Administrators (CSA) Governance Guidelines. However, we use these guidelines to benchmark our governance practices. Our company's practices are substantially consistent with CSA standards. A comparative table is in the SaskPower Annual Report 2009, available at saskpower.com.

Centennial Wind Power Facility, near Swift Current, Saskatchewan

Canadian Electricity Association's (CEA) Sustainable Electricity (SE) program

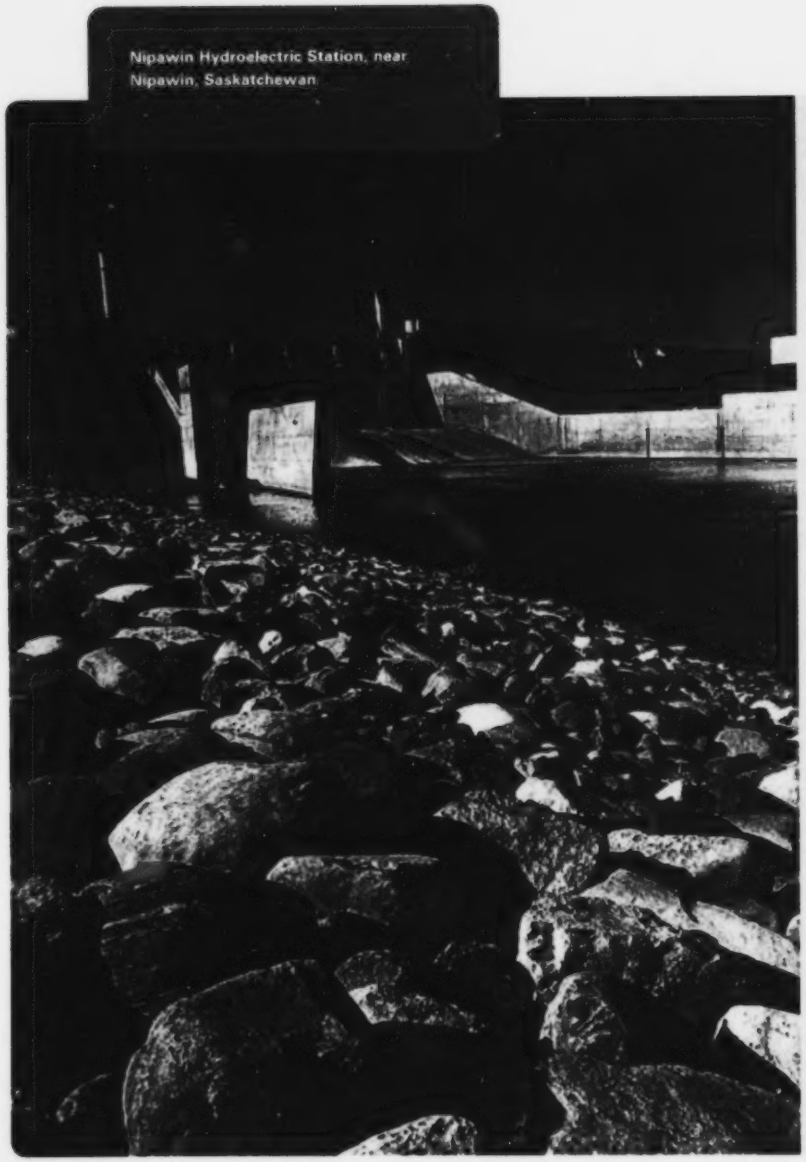
The transition to electric utility sustainability reporting

The CEA is a national industry association. SaskPower is a founding member of the CEA's Environmental Commitment and Responsibility Program (ECRP), which was established by utility members in 1997 to demonstrate the electricity industry's commitment to improving environmental performance. The ECRP report provided an annual summary of work being done throughout the industry to address environmental challenges.

In 2009, the ECRP underwent a transformation to the SE program (sustainableelectricity.ca), and now includes the social, economic, and environmental aspects of our business. To better align with the SE program and to more fully report on our company, we have replaced the SaskPower Environment Report with this inaugural Sustainability Report.

The CEA SE program includes:

1. A Policy for Sustainable Development – Corporate Responsibility
   CEA member utilities commit to implementing the program's policy according to key guiding principles that form the basis of the program.
2. Performance indicators and reporting
   Each of the guiding principles is supported by specific indicators and metrics that are used to track overall industry sustainable development performance. Utilities report on performance, and overall industry results on sustainable development are published in an annual report to stakeholders.
3. Public Advisory Panel
   Made up of a cross-section of qualified Canadians, the panel provides independent opinion and advice to the CEA Board of Directors on the implementation of and improvements to the SE program.
4. External verification
   Implementation of the SE program is validated by an independent external verifier.



Nipawin Hydroelectric Station, near Nipawin, Saskatchewan

CEA's Sustainable Electricity Policy for Sustainable Development – Corporate Responsibility

The CEA and its member utilities are committed to sustainable development, which for the CEA means "pursuing innovative business strategies and activities that meet the needs of members, stakeholders and the communities in which we operate today, while protecting and enhancing the human and natural resources that will be needed in the future."

CEA member utilities will continue to improve their overall sustainable development performance by committing to the following principles:

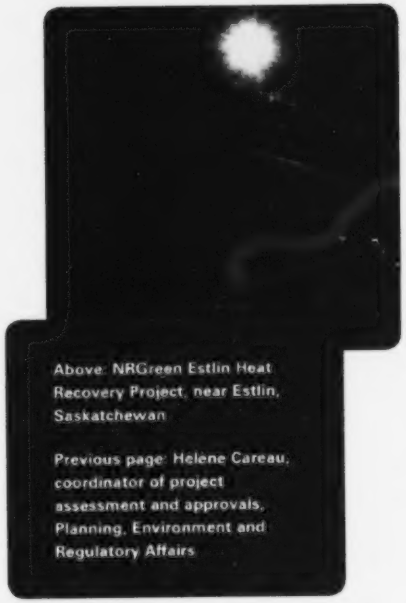
1. Environment: Minimize the adverse environmental impacts of our facilities, operations and businesses.
2. Stewardship and biodiversity: Manage the environmental resources and ecosystems that we affect to prevent or minimize loss and support recovery.
3. Climate change: Manage greenhouse gas emissions to mitigate the impact of operations on climate change, while adapting to its effects.
4. Health and safety: Provide a safe and healthy workplace for our employees and contractors.
5. Workplace: Support a fair, respectful and diverse workplace for our employees and contractors.
6. Communications and engagement: Communicate with and engage our stakeholders in a transparent and timely manner.
7. Aboriginal relations: Communicate with and engage Aboriginal people in a manner that respects their culture and traditions.
8. Economic value: Provide economic benefits to shareholders, communities and regions in which we operate.
9. Energy efficiency: Produce, deliver and use electricity in an efficient manner while promoting conservation and demand side management.
10. Security of supply: Provide electricity to customers in a safe, reliable and cost effective manner to meet current and future needs.

Participation in the Sustainable Electricity program is a condition of CEA membership. The CEA Sustainable Electricity Executive Council Chair is accountable for monitoring and reporting progress in implementing this policy on behalf of the CEA Board of Directors.

CEA member utilities are accountable for implementing this policy within their organizations.

Environmental performance

Strategy | Environmental Policy | Emissions | Land and water management | Stewardship and biodiversity



Above: NRGreen Estlin Heat Recovery Project, near Estlin, Saskatchewan

Previous page: Helene Careau, coordinator of project assessment and approvals, Planning, Environment and Regulatory Affairs

A strategic approach

From daily work to future planning, we must balance providing and using electricity with minimizing our impacts on our natural environment. In response, we are pursuing cleaner sources of energy, while continuing to promote environmental responsibility.

Environmental Management System (EMS)

We maintain an ISO 14001-registered EMS that provides our company, employees and contractors with a structure designed to promote continuous environmental improvement. The set of criteria that directs our EMS is established by the International Organization for Standardization (ISO) — a non-governmental, worldwide federation of national standards bodies from 163 countries that works in partnership with international organizations, governments, industry, as well as business and consumer representatives.

Our EMS was implemented in 2000. Since then, SaskPower has maintained eight ISO 14001 registrations through annual independent EMS audits conducted at facilities across the province. Annual internal EMS audits are also conducted by qualified SaskPower personnel. Our EMS helps us identify, monitor and manage the impact of our business on air, land and water. We track our progress by setting specific objectives and targets that are based on regulatory, technological and financial considerations. We also take into account the views of customers, communities and environmental regulators and agencies.

Since 2000, SaskPower has provided a comprehensive environmental awareness training program to help ensure that all employees and contractors understand their roles and responsibilities, and our EMS. All new employees complete this training, and each employee must renew training every three years. The level of this training may vary with the employee's work, services provided, or level of responsibility.

Central to our cycle of continuous environmental improvement are our reporting activities:

- We report annually to our customers, shareholder and stakeholders through this sustainability report.
- We file data and sustainability-related information with the Canadian Electricity Association (CEA) for the organization's Sustainable Electricity (SE) Annual Report.
- We report annual greenhouse gas (GHG) emissions and bi-annual corporate environmental expenditures to Statistics Canada.
- We report annually to Environment Canada's National Pollutant Release Inventory (NPRI), as well as provide information on air pollutants, GHGs and other substances.
- We report to provincial regulators as required by our permits to operate.

Environmental Policy

SaskPower's Environmental Policy outlines our company's commitment to comply with applicable laws while pursuing continuous improvement. Specific objectives and targets are set based on the principles contained within the policy. As required by our EMS, the policy is reviewed each year.

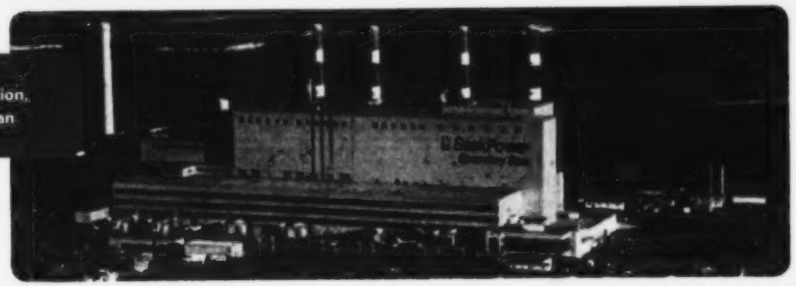
SaskPower's Environmental Policy

SaskPower demonstrates environmental leadership through prudent use of natural resources, now and into the future. We have adopted the following principles to help safeguard our air, land and water resources:

1. Compliance with relevant environmental legislation, regulations and corporate environmental commitments.
2. Prevention of pollution.
3. Continual improvement of our environmental management systems and environmental performance.

In support of these principles, SaskPower employees and those working on our behalf will:

- Manage all significant environmental aspects associated with our operations and services.
- Establish and maintain environmental objectives and targets.
- Integrate environmental considerations into corporate decision-making processes.
- Audit our environmental performance regularly, including audits for conformance with the ISO 14001 Standard for Environmental Management Systems.
- Ensure employees and contractors know and fulfill their environmental roles and responsibilities.
- Avoid, reduce or control emissions or discharges which may adversely affect the environment.
- Conserve resources through efficient use and implement the fundamentals of waste management: rethink, reduce, reuse, recycle and recover.
- Communicate actively, transparently and effectively with shareholders, employees, contractors, suppliers, customers, regulators and the public on environmental issues.



Boundary Dam Power Station, near Estevan, Saskatchewan

Emissions

2009 electricity supplied – 19,864 GWh

*Net of station service.
**Includes purchased power and imports.

2009 electricity supplied by SaskPower-owned facilities – 16,557 GWh

*Net of station service.

Overview, planning and mitigation

The need to tackle climate change has the single largest potential to shape the energy future of our company. With our use of coal and natural gas, over 70% of SaskPower's generation capacity is fossil-fuel based. However, with new environmental regulations imminent, continued reliance on conventional coal-fired generation is not sustainable.

Greenhouse gases (GHGs) — primarily carbon dioxide (CO_2) from coal-fired plants — are a primary target of environmental regulation. We also anticipate the need to achieve significant reductions in sulphur dioxide (SO_2), nitrogen oxides (NO_x), mercury and particulates. Meeting the requirements of these new regulations is expected to result in increased costs for SaskPower and our customers.

SaskPower monitors the development of emissions-related regulations at the provincial, federal, North American and international levels. Work is being done to develop a successor to the Kyoto Protocol, which expires in 2012. The Copenhagen Accord, which was established in December 2009, is a non-binding agreement that consists of voluntary targets and a commitment to fund climate adaptation in poorer nations. Efforts will continue in 2010 to incorporate the Copenhagen Accord into a multilateral negotiation process to achieve long-term cooperative climate change action.

As Canada seeks to align its GHG-reduction policies with those of its largest trading partner, SaskPower is closely following developments within the United States on climate change regulations. In 2009, the Canadian government worked closely with key stakeholders in the electric energy sector to draft a cap and trade style framework for reducing GHG emissions. At SaskPower, significant work has been done to model this approach in order to determine the implications for our company's future supply planning and the related costs.

Meanwhile, development of further requirements for other emissions, including SO_2, NO_x, mercury and particulates, continues. A national initiative — the Comprehensive Air Management System — was established to gather input from federal and provincial governments, industry and relevant non-government organizations. A report detailing the results of this work has been drafted and is expected to be sent in 2010 to the federal Minister of Environment and the Canadian Council of Ministers of the Environment (CCME) for their consideration.

SaskPower has continued efforts to meet the requirements outlined in the federal government's Canada-Wide Standard for mercury.

In 2009, the Government of Saskatchewan tabled a draft climate change bill — *The Management and Reduction of Greenhouse Gases and Adaptation to Climate Change Act*. The province has indicated its desire to regulate GHG emissions at the provincial level through establishment of an equivalency agreement with the federal government once matching legislation is in place. In 2010, the province is expected to finalize and pass its climate change bill. It will provide the necessary legislative authority to create the provincial system for GHG emissions regulation.

In response to these pending emissions requirements at the federal and provincial levels, in the short term our company is adding more renewable energy — such as wind — to the supply mix and is researching ways to maximize its use. At present, SaskPower is partnering with the Saskatchewan Research Council to investigate renewable energy storage. We're also developing control technologies for carbon-based fuels at our own sites.

Carbon capture and storage (CCS)
Reducing the release of CO_2 from burning fossil fuels is key to addressing climate change. CCS has the potential to play a central role in meeting worldwide GHG reduction targets by helping drastically reduce carbon footprints without sacrificing economic development and growth.

CCS involves the capture of CO_2 emissions from large industrial facilities, such as coal-fired power stations. The CO_2 is transported via a pipeline and stored in underground geologic formations. In some cases, value is created for the carbon through use in enhanced oil recovery (EOR) when the CO_2 is injected to revive production in depleted oilfields.

Basic capture technology has been proven through pilot projects around the world. However, full commercial-scale testing does not exist. Without this experience, significant cost and performance uncertainties remain. Large-scale demonstration projects tend to be the most expensive step in process development and their cost represents a significant barrier to commercialization. The addition of carbon capture represents the largest environmental upgrade ever contemplated for coal-fired power stations in Canada. The federal ecoENERGY Carbon Capture and Storage Task Force reports that CCS has the potential to eliminate as many as 600 megatonnes (Mt) per year, or approximately 40% of the country's projected GHG emissions in 2050.

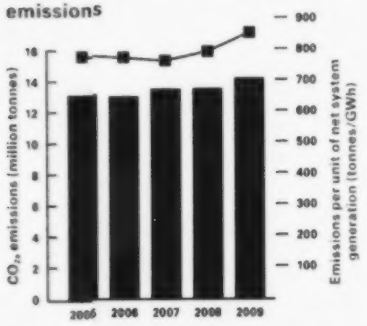
SaskPower is leading the potential development of one of the first and largest integrated carbon capture and storage (ICCS) commercial-scale demonstration projects in the world at Boundary Dam Power Station. This $1.4-billion partnership between the Government of Canada, the Government of Saskatchewan, SaskPower and private industry would examine the technology's economic, technical, and environmental merits.

Should it proceed, the project would fully retrofit an existing 139-megawatt (MW) coal-fired generation unit with carbon capture and an EOR operation for initial service beginning in the latter part of 2013. It would feature:

- Reduction in GHG emissions of 1 million tonnes/year from an existing power station by capturing 90% of CO_2 from the unit.
- An engineering first — complete thermodynamic optimization of the heat power cycle and the carbon process.
- A technical and commercial first — integration of electricity production with EOR operations.
- Use of existing coal supplies and structures within an existing power generation site to reduce costs.

Recently, Hitachi Canada was selected to provide the steam turbine and generator for the project. SNC Lavalin-Cansolv will provide the carbon capture technology. A project budget will be finalized by the end of 2010, along with any necessary environmental approvals. A final decision whether or not to proceed with the project will then be made.

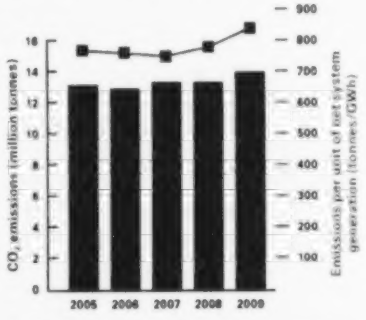
Carbon dioxide equivalent (CO_{2e}) emissions



Carbon dioxide equivalent (CO_{2e}) is the amount of direct carbon dioxide emissions plus an adjustment for direct methane (CH_4) and nitrous oxide (N_2O) emissions expressed in terms of the global warming potential of carbon dioxide (CO_2). These emissions are primarily produced by SaskPower's coal-burning facilities — Boundary Dam, Shand, and Poplar River Power Stations — and also include the emissions from the gas-fired stations — Queen Elizabeth, Meadow Lake, Landis, Success and Ermine Power Stations.

* Generation and emissions from SaskPower-owned facilities.

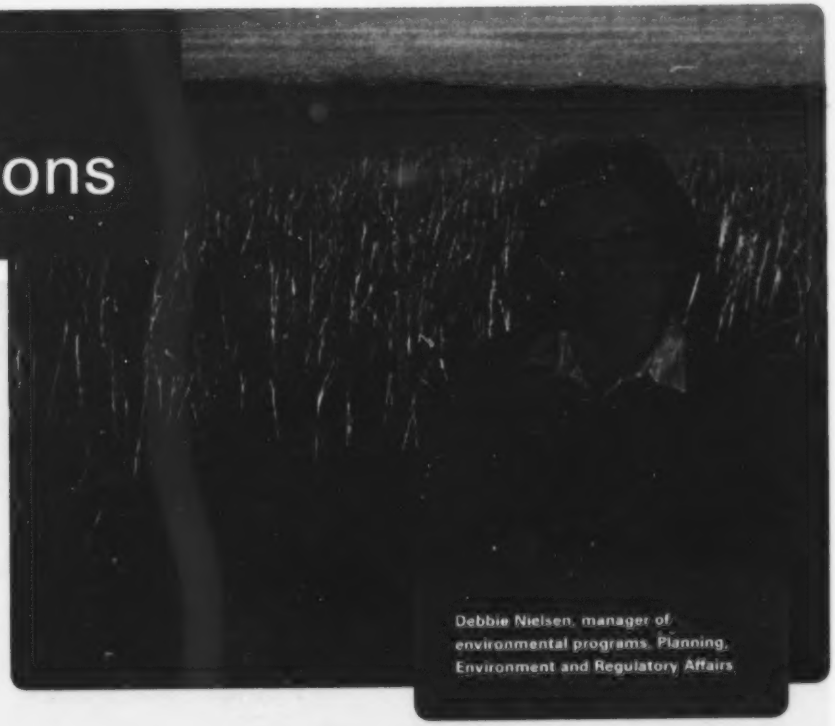
Carbon dioxide (CO_2) emissions



SaskPower's total carbon CO_2 emissions increased in 2009 due to record generation from coal-fired sources. Emission intensity also increased during the same period due to a larger proportion of total generation being from coal-fired units (68%) compared to a range of 61-63% during the previous four years. Other generation sources — which included gas, hydro and wind — generate less CO_2 than coal-fired units.

* Generation and emissions from SaskPower-owned facilities.

Targeting mercury emissions



Debbie Nielsen, manager of environmental programs, Planning, Environment and Regulatory Affairs

Debbie Nielsen sifts through a file folder to find a specially marked envelope. Inside is a brass-coloured cylinder smaller than a thumbnail. The manager of environmental programs with SaskPower's Planning, Environment and Regulatory Affairs department pulls out a mercury switch. Paying to have them recycled is one way that SaskPower is reducing mercury emissions.

Approximately 10 years ago, the Canadian Council of Ministers of the Environment established a Canada-wide standards process that aimed to reduce mercury emissions from coal-fired power stations. In 2006, mercury emissions caps were established for the power sector for each province. SaskPower had until 2010 to reduce its mercury emissions by 40%.

The lignite coal burned in SaskPower's three coal-fired power stations contains traces of mercury. When the coal burns, mercury is emitted with the flue gas that is released from the power station stacks during combustion.

"They say mercury's not good for any living thing. It's a neurotoxin. It goes after your brain and nervous system," says Dave Smith, supervisor of environmental initiatives with operations support at SaskPower.

To ensure reduced mercury emissions, SaskPower came up with a one-of-a-kind idea involving mercury switches. In 2003, SaskPower entered into a partnership with General Scrap Partnership (GSP), an Evraz subsidiary. Evraz is one of the world's 15 largest steel manufacturers. The company has a steel mill in Regina where it recycles steel scrap and melts down metals for reprocessing into new steel products.

Mercury switches can be found in older vehicles and are used to activate hood or trunk lighting. Under the agreement, SaskPower has GSP recover the mercury switches and send them for recycling or disposal.

As a result, the mercury is captured instead of going into the atmosphere and SaskPower gets credit. Since 2003, SaskPower has collected 246 kilograms of mercury from switches.

"I think Saskatchewan's quite unique in terms of this switch agreement. I don't know of any others that are doing it," says Nielsen. "We have Evraz here. It was just an opportunity in our backyard — a made-in-Saskatchewan kind of solution. It's probably a hundred times more cost-effective per kilogram of mercury emissions produced for us to do it this way than it would be on the power plant technology side."

Meanwhile, in 2004 SaskPower commissioned the Emissions Control Research Facility (ECRF) at its Poplar River Power Station, a coal-fired facility near Coronach, Saskatchewan. The ECRF was designed to capture mercury from the flue gas before it escapes into the atmosphere.

At the ECRF, powdered activated carbon is injected into a fabric filter to absorb mercury in the flue gas. Employees can draw samples from the flue gas to see how much mercury is being emitted.

Work at the ECRF explored various mercury-capture technologies before finding one that would be most suitable for SaskPower. A permanent system was later installed at Poplar River Power Station making it the first Canadian facility of its kind to do so. The Canadian Electricity Association honoured SaskPower with an Environmental Stewardship Award for outstanding innovation.

Nielsen says the technology developed at the ECRF can't just be built onto SaskPower's other two coal-burning facilities because each station has its own unique attributes. And, she points out that the mercury standard isn't static.

"We will continue to see a lowering of the amounts of pollutants we're able to release," she says. "Technology's evolving so fast in this area. They could make the release of mercury very stringent if the technology exists to capture it."

Meanwhile, SaskPower has participated in a feasibility study in conjunction with Crown Investments Corporation of Saskatchewan and the University of Regina. The partners are exploring the possibility of creating a one-of-a-kind facility for carbon capture technologies that will offer a neutral testing platform. It would allow industry vendors from North America and around the world to demonstrate two or more large-scale systems at a time. The project would be fully integrated, involving CO_2 capture, transportation, injection, measurement, monitoring and verification.

Mercury control development at the Emissions Control Research Facility (ECRF)

Through work conducted at SaskPower's ECRF at Poplar River Power Station, our company has developed a technology that is helping us meet the requirements of the new federal Canada-Wide Standard (CWS) for mercury.

Key to this work has been the development of in-house capability for analyzing mercury in coal and ash streams, which has been recognized by industry peers as being one of the most proficient for this kind of analysis.

This project has attracted the involvement of other lignite-burning utilities and suppliers of mercury-control technologies, as well as funding support from agencies in Canada and the United States. The ECRF received the Canadian Electricity Association's Environmental Stewardship Award for its work on mercury technologies in 2008.

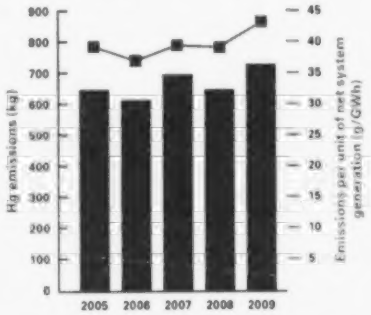
In 2009, SaskPower also continued work related to compliance activities for the CWS for mercury on a number of other fronts, including:

- Beginning commercial operations of the activated carbon injection system for mercury control at Poplar River Power Station.
- Performing Ontario Hydro Method stack tests for speciated mercury determination for the first time for compliance with the CWS.
- Submitting the first mercury CWS report to Saskatchewan Ministry of Environment.

SaskPower is also using other innovative means to offset mercury emissions. We are working with Evraz and General Scrap Partnership in Regina on a program through which mercury in automotive switches is captured and recycled before cars are crushed. In 2009, 37.7 kilograms of recovered mercury from this program were eligible as an offset toward the CWS for mercury emissions requirement.

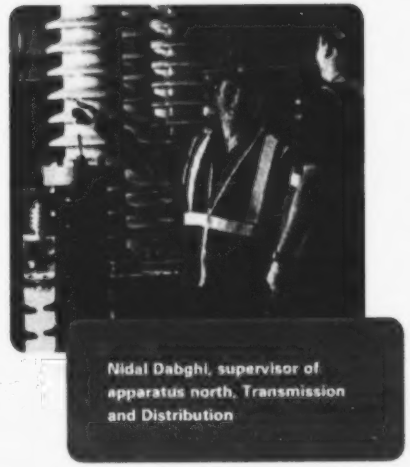
In 2009, in association with SaskEnergy's programmable thermostat rebate program, over 835 thermostats were collected, resulting in 2.5 kilograms of mercury being recycled.

Mercury (Hg) emissions



Mercury emissions and emissions intensity increased in 2009 compared to 2008, largely because of increases in mercury-emitting coal generation in 2009 and reductions in other non-emitting forms of generation. Slight increases in the mercury content of coal burned and improved combustion operations at some units also contributed to the increases.

*Generation and emissions from SaskPower-owned facilities
**Does not include offsets from mercury switch agreement.

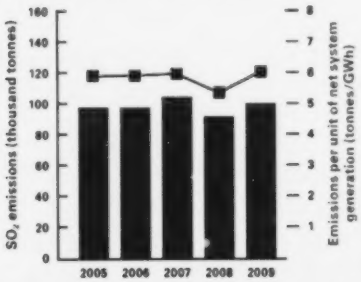


Nidal Dabghi, supervisor of apparatus north, Transmission and Distribution

Other emissions

In addition to successfully determining a process to meet SaskPower's need for mercury capture, our company's ECRF test team is also exploring methods to reduce other emissions, such as SO_2, NO_x and particulate matter. Key to the success of this ongoing work performed at the ECRF has been a strong team of partners. These include the federal government, Saskatchewan universities, the Saskatchewan Research Council, private business, and North American electrical utilities and organizations, including the Energy & Environment Research Center (EERC). SaskPower is also completing a multi-year project at Shand Power Station involving a series of significant mechanical improvements and upgrades related to SO_2. Various tests have been done to optimize performance and to evaluate potentially more effective SO_2-control reagents. While the main driver for this work is to reduce SaskPower's SO_2 emissions so they are well below regulatory limits, we are also examining options to achieve very low SO_2 concentrations in flue gas in order to accommodate effective CO_2 control.

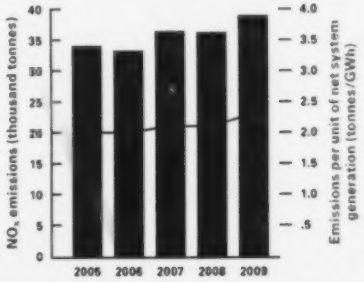
Sulphur dioxide (SO_2) emissions



SO_2 emissions and emissions intensity increased in 2009 compared to 2008, mainly because of more coal generation in 2009 and decreases in other forms of generation that do not emit SO_2. Somewhat offsetting these increases was an improvement in the performance of the SO_2-capture system at Shand Power Station.

* Generation and emissions from SaskPower-owned facilities.

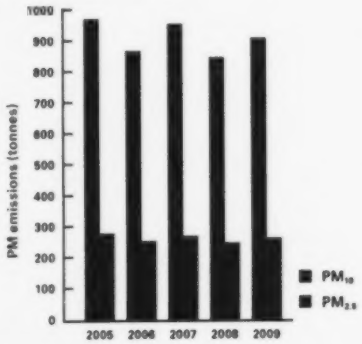
Nitrogen oxides (NO_x) emissions



SaskPower's total NO_x emissions increased in 2009 due to record generation from coal-fired stations. Emissions intensity also increased during the same period due to a larger proportion of total generation being from coal-fired units — 68% compared to a range of 61-63% during the previous four years. Other generation sources, which included gas, hydro and wind, generate less NO_x than coal-fired units.

* Generation and emissions from SaskPower-owned facilities.

Particulate matter (PM) – PM_{10} and $PM_{2.5}$



* A micro metre (µm) is a millionth of a metre. PM_{10} and $PM_{2.5}$ represent the size of particulates in µm.
** Contains stack and fugitive particulate matter from coal plants (Boundary Dam, Shand and Poplar River Power Stations).
*** Particulate matter emissions and emissions intensity increased in 2009 compared to 2008, largely because of increases in particulate-emitting coal generation in 2009 and reductions in other non-emitting forms of generation. Offsetting these increases somewhat were enhancements made to the particulate matter capture system at Poplar River Power Station.

Our company has an ongoing program to investigate ways of achieving lower NO_x emissions by modifying conditions under which coal is burned. SaskPower is currently partnering with equipment manufacturer Babcock & Wilcox and the North Dakota Industrial Commission to demonstrate a workable control system for the kind of coal that SaskPower burns.

Burning lignite coal at our coal-fired generating stations creates ash that must be managed carefully. Heavy ash is either stored on-site in environmentally sound ash storage lagoons or dry storage facilities. Fly ash, the particles that would normally escape from the smoke stacks of our coal-fired power stations, is captured using electrostatic precipitators (ESPs), typically in the order of 96% to 99.7%. Fly ash is sold for use in building materials such as concrete, helping to reduce emissions created in the production of these materials. In 2009, fly ash conditioning equipment was delivered to the ECRF and will be installed in 2010 to determine whether the particulate collection efficiency of the ESPs at Poplar River Power Station can be further improved.

Additional research and development

SaskPower's alliances play a key role in driving technological developments. Our company is a member of the Canadian Clean Power Coalition (CCPC), which is seeking to address environmental challenges through technology development in partnership with governments and stakeholders. Members of the CCPC include Canadian coal and coal-fired electricity producers, the California-based Electric Power Research Institute (EPRI), and Basin Electric Power

Cooperative from North Dakota. The CCPC is facilitating demonstration plant programs that will lead to the design and construction of clean coal technology power plants by its members.

SaskPower is also an industry partner in the International Energy Agency (IEA) GHG Weyburn CO_2 Monitoring and Storage Project. This joint research undertaking with the IEA and EnCana is conducting a world-leading international study that involves injecting and storing CO_2 underground for EOR. Our company works closely with the University of Regina's International Test Centre (ITC), which develops technologies to reduce CO_2 emissions. The ITC is establishing Saskatchewan as a world leader in CO_2-capture technology, in part through a $5.2-million pre-commercial scale technology demonstration plant at SaskPower's Boundary Dam Power Station.

SaskPower is a participant in the Canada Centre for Mineral and Energy Technology (CANMET) CO_2 Consortium. Its objective is to advance an oxyfuel process for the capture of CO_2. Our company is also a member of the Lignite Energy Council, which includes utilities from North Dakota that burn coal similar in make-up to that used in our generating stations. The council supports the development of technologies that are designed to reduce emissions that result from burning coal.

Southeast Saskatchewan Airshed Association (SESAA)

SESAA is Saskatchewan's first airshed association with a mandate to monitor ambient air quality in the southeast region of the province. SESAA is a collaborative group of industry, government, non-government organizations, and private citizens. The airshed covers an area of 36,800 square kilometres and includes 45 municipalities. Major economic activities in the region are agriculture, oil and gas, mining, power generation, and transportation.

During 2009, SaskPower once again served on the SESAA Board of Directors. Monthly SO_2 and nitrogen dioxide (NO_2) monitoring information was provided to SESAA from SaskPower's Estevan monitoring station. The SESAA has purchased an air pointer continuous monitoring system that is now set up in the Weyburn region. It will collect detailed and timely information on air quality parameters (specifically NO_x, hydrogen sulphide/sulphur oxides, ozone, particulate matter and wind direction/speed), allowing for better analysis of issues.

Land and water management

Screenings, assessments and project approvals

SaskPower conducts internal screening of generation, transmission and distribution projects using a comprehensive Geographic Information System-based Environmental Screening System (ESS). This assists with compliance with all legislative requirements. The ESS was developed internally and is recognized by both industry and regulators as a highly effective environmental screening tool.

The ESS uses baseline environmental and archaeological information compiled from various sources, including government, private and academic sectors. It is used by SaskPower to identify, prior to construction, any potential environmental, cultural or heritage issues of concern for proposed projects, including:

- Species at risk and important habitat. This includes species that are either provincially or federally protected.
- Areas that may have heritage significance including archaeological sites, sites of a special nature, national and provincial historic sites, heritage properties, and paleontological sites.
- Crown lands administered by the Saskatchewan Ministry of Environment, the Saskatchewan Ministry of Agriculture, or by federal agencies.
- Areas that have a legislated protection such as game preserves and bird sanctuaries.
- Areas considered biologically important.
- Private lands that are either protected by conservation easements or are potentially significant habitat.
- Water bodies, rivers and streams, and wetlands.

Project screening

Projects that may affect sensitive land, habitat, species, or archaeological sites undergo a detailed assessment by SaskPower's environmental programs department. The review may determine that legal approvals, permits, field inspections, and/or other actions are necessary.

Project referrals and field assessments

Referrals

	2009	2008	2007	2006	2005
Generation	**2**	2	4	1	0
Transmission	**24**	31	22	16	9
Distribution	**726**	800	567	465	526
Fibre optic	**2**	4	2	4	-
Other	**19**	14	24	8	11
Total	**773**	851	619	494	546

Field assessments*

	2009	2008	2007	2006	2005
Generation	**0**	2	3	2	2
Transmission	**4**	8	7	5	3
Distribution	**63**	88	71	70	62
Fibre optic	**2**	0	1	5	-
Other	**2**	4	2	0	7
Total	**71**	102	84	82	74

* May include fieldwork conducted in 2009 for projects referred to environmental programs in previous years.

Site assessments

Prior to the sale, purchase or lease of property, or as a result of identification of potential contamination, SaskPower conducts site assessments. In 2009, 97 site assessments were carried out (see below). The assessments may include the investigation of impacts to soil and ground water of polychlorinated biphenyls, hydrocarbons, metals, soil sterilants, and wood treatment chemicals. If necessary, SaskPower initiates site remediation after the assessment has been completed. Treatment and disposal of impacted soils are carried out on SaskPower property, or at local community landfills, registered industrial landfills, or other regulator-approved locations.

There are three types of environmental site assessments (ESA):

- Phase I ESA: The process used for the identification of past, present or potential environmental concerns includes records review, site visits and interviews.
- Phase II ESA: The process used to characterize and/or delineate the concentrations or quantities of substances of concern related to a site and to compare those levels to criteria.
- Remediation: The process used to remove the impacted contaminant from a site for disposal or treatment.

	2009			2008		
	Phase 1	**Phase II**	**Remediation**	Phase 1	Phase II	Remediation
Storage yards	**0**	**9**	**0**	1	3	0
Substations	**0**	**17**	**3**	5	11	2
Switching stations	**0**	**3**	**0**	0	0	0
Former/existing power plants	**1**	**3**	**2**	1	1	0
District offices	**0**	**3**	**3**	2	7	0
Pole yards	**0**	**1**	**1**	0	4	1
Vacant land/other	**1**	**8**	**5**	7	7	0
Treatment sites	**0**	**0**	**0**	0	1	1
Mine development	**22**	**0**	**15**	9	2	0
Landfills	**0**	**0**	**0**	2	2	0
Total	**24**	**44**	**29**	27	38	4

In 2009, a five-year strategy was developed following an evaluation of 27 former northern diesel generating stations using the National Classification System for Contaminated Sites. This evaluation identified that SaskPower needs to do more work in determining any possible adverse effects at 12 to 15 stations. The five-year plan includes the completion of Phase II ESAs at these stations. To date, the ESAs at Southend, Black Lake and Stony Rapids have been completed. The ESAs revealed that no further work is required at Black Lake and Stony Rapids; however, impacts have been identified at Southend. Three more former stations are scheduled for ESAs in 2010. The data from the assessments will be analyzed and cleanup at the sites carried out as required.

Polychlorinated biphenyl (PCB) management

In 2008, revised federal PCB regulations came into effect and included more rigorous requirements for reporting, labeling, releases, storage and end-of-use deadlines for electrical equipment and stored material.

The new end-of-use deadlines made it necessary for SaskPower to examine its entire fleet of more than 6,000 pad-mounted transformers in order to remain compliant with the federal PCB regulations. Of these, 3,243 were found to have been installed after 1986 when the use of PCB oil for new transformers was halted. Therefore, these were not sampled. Of the 3,089 remaining transformers, seven were found to have PCB contamination greater than 500 parts per million. These were subsequently replaced and disposed of in accordance with regulations.

SaskPower was not able to test its oil-filled transformer bushings, capacitance transformers or instrument transformers to determine which may have a PCB contamination greater than 500 parts per million, and would therefore require removal and disposal prior to the end of 2009.

In order to remain compliant with a December 31, 2009, deadline, SaskPower successfully applied to Environment Canada for an end-of-use extension until December 31, 2014. This application covers 2,524 pieces of equipment, cumulatively containing approximately 439,000 litres of oil. Our previous experience and testing suggests fewer than 1% of these pieces will exceed the limit.

The new storage requirements made it necessary for SaskPower to initiate a $7.4-million cleanup of the storage cell at the former Federal Pioneer Ltd. property in Regina. SaskPower assumed ownership of this property in 1989, which was the site of a major PCB spill in 1976. In the early 1980s, 6,800 tonnes of impacted soil from the spill were collected and stored in the storage cell that was constructed on site. The recent cleanup included the excavation and treatment of the stored soil. SaskPower continues to gather information on the remaining impacts outside of the former storage cell so that next steps can be developed.

Spills

Current legislation requires that spills of hazardous substances be reported to regulatory authorities. Legislation defines a spill by type, volume and location. In 2009, SaskPower had eight reportable spills. The impact of these spills was either negligible or mitigated appropriately.

Number of reportable spills

	2009	2008	2007	2006	2005
Oil spills	**2**	12	9	12	7
PCB-contaminated oil spills (>5 ppm)	**3**	0	1	2	2
Other spills	**3**	3	1	0	6
Total spills	**8**	15	11	14	15

SaskPower switching station

Insulating oil

Mineral oil is used as an insulator and coolant in virtually all of SaskPower's transformers and in many other types of electrical equipment. Our company reuses most of the oil, and the remainder is recycled.

Vegetation management

SaskPower manages 157,573 kilometres of transmission and distribution lines across Saskatchewan. Our company maintains vegetation along all power line rights-of-way in order to ensure the safe operation of these lines. These rights-of-way can vary in width from 10 to 70 metres. As a result of our vegetation management program, we reduce the possibility of branches or limbs falling across a line during a storm, which can cause damage and interrupt electrical service. In forested areas, if trees come in contact with high voltage lines, they could cause forest fires.

In order to promote the development of low-growing vegetation, SaskPower uses integrated vegetation management practices. Integrated vegetation management combines an understanding of plant ecology with a wide range of management tools to manage vegetation in an effective, economical and environmentally responsible manner. SaskPower's Vegetation Management Policy ensures that vegetation will be managed in a manner that:

- Incorporates ecological principles.
- Considers community values in establishing standards of maintenance.
- Receives landowner consent.
- Is cost-effective.
- Uses herbicides responsibly.
- Complies with SaskPower's Environmental Policy, as well as all relevant federal and provincial legislation and municipal bylaws.

This policy includes a number of methods for controlling plant species in transmission and distribution line rights-of-way. It also encourages the establishment of plant species that provide important wildlife habitat. Mechanical methods, the use of seeded and naturally occurring native vegetation, and selective herbicide use are included in the options used by our company. The policy results in economic and environmental benefits because of the lower long-term costs associated with an integrated approach.

In 2009, SaskPower continued to work cooperatively with rural municipalities and individual landowners to maintain a database of organic growers and other landowners who have chosen not to have herbicides used in power line rights-of-way that are on or adjacent to their land.

Wood Pole Maintenance Project (WPMP)

In Saskatchewan, there are an estimated 1.2 million treated wood poles presently in service. Our WPMP is an ongoing test and treatment program that identifies wood poles that have reached the end of their in-service life. It also identifies wood poles that can have their service life extended through the use of additional pole treatments and reinforcement. Environmental benefits from wood pole life extension range from not having to harvest new trees for wood poles to reducing the number of wood poles disposed of in municipal landfills.

In 2009, SaskPower's WPMP focused strictly on transmission and sub-transmission wood poles, which number approximately 46,000. A treatment program was implemented to life-extend the poles, and data from testing was collected to analyze the effectiveness of the program. This information will be applied in the 2010 distribution pole testing program. Where possible, the Rural Electrical Distribution Program will use salvaged poles for replacement in order to reduce the number of new poles required.

An Industrial Treated Wood Users Guidance Document, developed under the leadership of Environment Canada, contains recommendations that are designed to minimize the release of specific chemical preservatives. SaskPower's new pole yards will be constructed in accordance with the guidance document. Recycling and reuse options for used poles are also being assessed.

Ants are increasingly affecting pole service life, especially in our northern areas. SaskPower is currently exploring many different options, including the use of laminated poles. Meanwhile, our company has switched from using wood reinforcement stubs to using steel stubs, which enables multiple reuse of the stub.

Zero G

SaskPower's Zero Garbage (Zero G) Program, which focuses on internal waste management, has been in existence for over 15 years. When the program began, it included only the recycling of basic items. Today, through research, development and collaboration with recycling organizations and companies, SaskPower employees are able to recycle or reuse approximately 20 different materials. As SaskPower continues to expand its list of recyclable materials, it is also committed to finding solutions that reduce overall resource consumption.

The main objectives of the Zero G Program are captured in the program's five Rs: rethink, reduce, reuse, recycle and recover. To achieve employee awareness and participation, annual Zero G meetings are held at over 80 customer service centres, transmission and distribution stations, power plants and other facilities. SaskPower also provides waste management and minimization tools and resources to its employees.

During the year, SaskPower recycled 77,300 kilograms of waste paper and cardboard from our facilities across Saskatchewan. The following is a list of materials from SaskPower facilities that, whenever possible, were diverted from landfills throughout the province in 2009:

Material and handling process

Office	
Office paper & cardboard	Collected and recycled by local recycling facilities.
Plastic (Regina area only)	Recycling codes #1-7 recycled locally into parking curbs and posts.
Beverage containers	Returned to SARCAN Recycling.
Print/toner cartridges	Donated to the thINK Food Program.
Cell phones	Recycled by the Rechargeable Battery Recycling Corporation (RBRC).
Alkaline batteries	Recycled by local recycling services companies.
Rechargeable batteries	Recycled by RBRC.
Mercury	Recycled by a local scrap dealer.
Computers & electronics	Donated to Computers for School Program or recycled through SWEEP.

Fluorescent bulb recycling

Operational	
Aerosol paint cans	Sent to SARCAN to be recycled through the Saskatchewan Paint Recycling Program.
Fluorescent bulbs	Collected by a local recycler; all materials — including glass, mercury, phosphor and aluminum — captured and recycled.
HID bulbs	Collected by a recycler; all materials captured and recycled.
CFL bulbs	Collected by a recycler; all materials captured and recycled.
Waste oil, containers & filters	Transported to a Saskatchewan Association for Resource Recovery Corporation (SARRC) location to be recycled.
Aluminum & copper cable	Sold to scrap dealers for recycling.
Meters	Given to scrap dealers for recycling.
Wooden pallets	Reused or given away.
Power poles	Sold subsequent to signing of a release form that limits the ways in which they can be used.
Lead	Lead inserts from pole top insulators removed and recycled.
Lead acid batteries	Recycled by local recycling services companies.

In 2009, SaskPower also continued to promote the Zero G Program within the province through a number of recycling awareness initiatives and waste reduction partnerships:

- SaskPower Clean Team: This partnership between SaskPower and the Saskatchewan Association of Agricultural Societies and Exhibitions (SAASE) helps local community groups across Saskatchewan address waste management and disposal on fair grounds. Additional benefits include waste reduction at local landfills, revenues for local non-profit groups through honoraria and recycling proceeds, as well as year-round access to SaskPower recycling and refuse bins at exhibition facilities. In 2009, 35,371 bags of trash and 6,402 bags of recyclables were collected from the 27 communities that actively participate in the program.
- Saskatchewan Waste Reduction Council (SWRC): SaskPower supplies financial support to this organization, which delivers public education initiatives, particularly during Waste Reduction Week each fall. This year, SaskPower was invited to join the SWRC's Board of Directors. Being on the Board will allow SaskPower to contribute constructively to the initiatives undertaken by the SWRC and help us achieve our own strategic priority of demonstrating strong environmental stewardship and performance.
- thINK FOOD: Our company continues to join the Regina and District Food Bank in this program, which recycles laser and inkjet cartridges from SaskPower's offices as part of a Canada-wide initiative. The program also raises much-needed funds for Saskatchewan food banks.

Stewardship and biodiversity

Fly ash
Fly ash is a fine ash that is a byproduct of burning finely pulverized coal in coal-fired stations. It is sold for use in ready mix concrete, mine backfill, oil well cementing, road base stabilization and oil waste remediation applications. In 2009, approximately 116,000 tonnes were sold, equating to a savings of over 116,000 tonnes of CO_2. By selling fly ash, we are offsetting the CO_2 produced in the course of cement manufacturing.

During the year, approval was provided to add infrastructure to Boundary Dam Power Station to collect fly ash for sale from one more unit. This will reduce the amount of fly ash to be disposed and will approximately double current fly ash available for sale.

Beneficial Management Practices Manual
SaskPower is developing a procedures manual that will identify the routine low-risk activities of SaskPower operations staff and outline impacts and suitable mitigation measures. The manual will be designed to be user-friendly for field staff and will standardize the environmental protection measures used for construction and maintenance activities across our company.

Fisheries
In order to identify and resolve *Fisheries Act* issues at our facilities, SaskPower continues to work as part of a committee that includes Fisheries and Oceans Canada (DFO), Saskatchewan Ministry of Environment (MOE) and Saskatchewan Watershed Authority (SWA). Dialogue amongst SaskPower and key government agencies with mandates for water, fisheries and fish, and fish habitat will allow balancing of environmental and economic needs.

The committee's 2009-2010 Action Plan focuses on information gathering, with additional emphasis on research activities to further clarify and address issues specific to SaskPower facilities. The data and information being gathered are critical to filling identified knowledge gaps and will give the committee the confidence needed to make decisions that may involve operational changes and authorizations.

SaskPower has continued to work cooperatively with DFO and other agencies to investigate the fish and fish habitat issues that may be of concern as a result of operations at E.B. Campbell Hydroelectric Station. Fieldwork that began in 2004 was completed in 2006 to support an aquatic assessment research project downstream of the power station. In 2007, hydraulic modeling and fish habitat mapping of a 40-kilometre reach-of-river downstream of the generating station was completed. This mapping outlined how fish habitat uses change with variations in flow from the station. The final report was completed in 2009, with the flow recommendations to improve downstream fish habitat presently being assessed by SaskPower for operational implications and feasibility.

Sturgeon
SaskPower is one of the founding members of the Saskatchewan River Sturgeon Management Board (SRSMB) and continues as an active member. The mandate of the group is to prevent the further decline of lake sturgeon in the Saskatchewan River, downstream of E.B. Campbell Hydroelectric Station.

In 2009, SaskPower provided sponsorship to the sturgeon index fishing program coordinated through MOE and conducted by Cumberland House fishers. Contributions have also funded communication initiatives such as the development of an informational website (www.saskriversturgeon.ca).

Research at the Island Falls Hydroelectric Station associated with lake sturgeon has been completed. It involved data collection and literature review to determine knowledge of local lake sturgeon populations and habitat in the Churchill River near the facility; impacts from the original installation of the dam; information on areas upstream and downstream that were directly affected by the dam; and the potential for mitigation and enhancement opportunities in the area should lake sturgeon become listed as an endangered species under the *Species at Risk Act*. Additional population studies are expected to continue in 2010 and will provide SaskPower with a clearer understanding of fish in the area.

SaskPower has provided three years of funding for lake sturgeon-related research to SWA, which includes the collection of habitat, population and genetic data on the Saskatchewan River near the forks at Prince Albert. The information will provide both our company and SWA with a better understanding of operational impacts on lake sturgeon.

Meanwhile, SaskPower is continuing its engagement with the Canadian Electricity Association (CEA) as it moves forward in developing a compliance framework with DFO under a joint Memorandum of Understanding. Our company is continuing to participate with CEA members on the implementation of DFO's Existing Facilities Position Statement and the Fish Mortality Position Statement. CEA members are also discussing the review of other emerging policy issues and the *Fisheries Act* renewal.

Species at Risk Act (SARA)

SaskPower, as a member of the CEA, has been active in providing input into national policy development related to the implementation of *SARA* and input into the five-year review of the legislation. Several meetings were held with regulators in 2009 to discuss concerns around *SARA* implementation and possible solutions.

The CEA has engaged with the Canadian Hydroelectricity Association (CHA) in ongoing dialogue to identify regulatory mechanisms that will enable effective authorization of hydroelectric facilities and their operation within the current *SARA* provisions. The aim is to meet the needs of both government and industry while supporting the recovery of listed species.

E.B. Campbell Hydroelectric Station, near Nipawin, Saskatchewan

SaskPower activities associated with piping plovers continue. For the fourth year in a row, our company conducted a piping plover survey at Cookson Reservoir, which supplies water to Poplar River Power Station. Several birds were once again found at this location. SaskPower continues to participate on the South Saskatchewan River Piping Plover Planning Committee, which implements risk reduction activities for breeding piping plovers on Lake Diefenbaker.

In 2009, in addition to providing sponsorship to Nature Saskatchewan for the Plovers on Shore Program, SaskPower provided funding for the organization's Stewards of Saskatchewan Program. It focuses on the conservation, enhancement, monitoring and awareness activities associated with the endangered burrowing owl and threatened loggerhead shrike.

Migratory Birds Convention Act (MBCA)
In 2009, SaskPower and other CEA members continued to provide input to Environment Canada on amendments to the regulatory consultation process regarding incidental take — the accidental killing or harming of birds during legal operations.

Ducks Unlimited Canada (DUC)
SaskPower contributes approximately $115,000 annually to DUC to undertake initiatives designed to support the conservation of ducks, migratory birds and their habitats. In 2009, the sponsorship was directed to three programs:

1. Habitat Securement Conservation Easement Program
   The protection of existing upland and wetland habitats is identified as a high priority for DUC. Conservation easements protect lands that are located in areas where habitat loss has already occurred and continues to occur, primarily targeting native uplands and associated wetlands. In 2009, the funds provided by SaskPower were used to secure habitat in two different locations within Saskatchewan.

   a) Conservation easements in Touchwood-Beaver Hills: DUC completed conservation easement projects with seven landowners on 20 quarter sections of land, conserving 1,094 acres of habitat in perpetuity at a cost of $222,947. SaskPower contributed $20,000 toward this program.

   b) Conservation easements in Alan-Dana Hills: DUC completed conservation easement projects with 10 landowners on 43 quarter sections of land, conserving 3,074 acres of habitat in perpetuity at a cost of $694,318. SaskPower contributed $20,000 toward this program.

2. Habitat/Wetland Restoration Program – Upper Assiniboine/Cojuring Creek
   SaskPower contributed $25,000 to restore 75 small wetlands located on 21 quarter sections of land for a project with a total cost of $33,279.

3. Saskatchewan Wetland Education Program
   SaskPower's sponsorship of the program has allowed for the development of wetland and field resource materials for teachers and the production of interpretive materials for existing DUC projects. Education contractors working in and around North Battleford, Melfort, Saskatoon, Regina, Yorkton, Swift Current and Wadena deliver hands-on opportunities for students to learn about Saskatchewan wetlands in their classrooms or at a nearby marsh or wetland.
   In 2009, DUC Wetland educators completed 332 class presentations and 121 field trips involving 9,361 students, 685 teachers and teaching assistants, and 307 other adults (usually parents participating in programs) for a total of 10,353 participants. The total budget for these programs was $100,000, $50,000 of which came from SaskPower.

Zebra mussels
In 2009, Saskatchewan had its first zebra mussel sighting on a boat brought in from the United States. Fortunately, the boat was spotted prior to entering a Saskatchewan waterbody. An invasive species that can damage ecosystems, zebra mussels can also have a significant economic impact on companies like SaskPower because they can clog water intakes at coal and hydro facilities. Education, awareness, and monitoring are critical steps in preventing zebra mussels from entering and spreading throughout Saskatchewan. SaskPower has been working with the Saskatchewan MOE and the Saskatchewan Invasive Species Council to increase awareness and monitoring activities.

Above: SaskPower Shand Greenhouse seedlings

Next page: Centennial Wind Power Facility, near Swift Current, Saskatchewan

Envirothon
Our company collaborates with Partners for the Saskatchewan River Basin to present this event that teams five high school-aged students and allows them to exercise their environmental training and problem-solving skills. The competition is centred on a current environmental issue and four testing categories: soils/land use, aquatic ecology, forestry, and wildlife. The Olympic-style competitive nature of some aspects of the program allows participants an opportunity to travel, learn, experience, and compete provincially and internationally.

Nature Saskatchewan
SaskPower provides funding for a number of Nature Saskatchewan programs.

PlantWatch is designed to increase awareness of the significance and source of GHGs and promote reductions. In addition, the program measures the impact of climate change on ecosystems through analysis of plant blooming data.

The Last Mountain Lake Bird Observatory is intended to nurture an interest and passion in youth and adults for bird diversity, as well as to provide training in bird identification and monitoring. The observatory also monitors migrating land birds in order to identify the trends of individual species for conservation purposes. Stewards of Saskatchewan focuses on the conservation, enhancement, monitoring and awareness activities associated with the endangered burrowing owl and piping plover, and the threatened loggerhead shrike.

SaskPower Shand Greenhouse
Since 1991, SaskPower Shand Greenhouse has been using waste heat from the nearby Shand Power Station to grow millions of trees, shrubs and native grass and forb seedlings that have been provided to the community for use in land reclamation and other environmental planting projects. In 2009, the facility distributed 545,128 seedlings to bring the cumulative total since 1991 to 6.3 million. A highlight for this year was the production of 3,600 sagebrush seedlings to assist revegetation efforts at Grasslands National Park.

Economic performance

Creating value and fostering growth | Security of supply | Reliability | Energy efficiency and conservation

Creating value and fostering growth

While dedicated to providing a reliable and sustainable supply of electricity to our customers, we are also committed to maintaining SaskPower's solid financial foundation. We will endeavour to keep rates competitive with comparable utilities while generating enough revenue to support our company's infrastructure renewal and growth. We will maximize our spending power while promoting energy efficiency and conservation initiatives to help customers manage their costs.

Financial results

Consistently strong financial performance is essential to sustain the health of our company and meet obligations to our shareholder. A healthy balance sheet gives SaskPower the flexibility to finance ongoing operations and capital requirements while delivering rates to all customers that accurately reflect costs and are competitive with other jurisdictions.

Financial indicators (in millions)

	2009	2008	Change
Revenue	**$ 1,546**	$ 1,489	$ 57
Operating costs[1]	**1,453**	1,397	56
Operating income[1]	**93**	92	1
Net income	**103**	64	39
Dividends	**–**	46	(46)
Capital expenditures	**640**	422	218
Gross long-term debt	**2,571**	2,578	(7)
Short-term advances	**272**	–	272
Operating return on equity[2]	**5.9%**	5.9%	–
Return on equity[3]	**6.5%**	4.2%	2.3%
Per cent debt ratio[4]	**61.4%**	60.7%	0.7%

1. Operating costs and operating income are non-generally accepted accounting principles (GAAP) measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provide management and shareholders with measurements of operating performance which are readily comparable from period to period.
2. Operating return on equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings at year-end) + (equity advances + retained earnings at previous year-end)]/2.
3. Return on equity = (net income)/(average equity).
4. Per cent debt ratio = (debt)/(debt + equity), where debt = (gross long-term debt + short-term advances + bank indebtedness – debt retirement funds – cash and cash equivalents).

From left: Tanya Pearson, supervisor of billing services, Customer Services; Michael Tchozewski, assistant supervisor of Regina crew, Transmission and Distribution; and Anthony Sparvier, engineer-in-training, Power Production

Contribution to the economy
As one of Saskatchewan's largest companies, we are conscious of the importance of maximizing the benefits of our operations-related spending. In 2009, over $1 billion flowed from SaskPower into the provincial economy. This occurred through the procurement of goods and services from Saskatchewan suppliers; the purchase of coal; the acquisition of electricity from Independent Power Producers; and, the payment of wages and benefits to employees.

Number of permanent full-time employees

2009	2008	2007	2006	2005
2,653	2,541	2,488	2,458	2,425

Total annual value of all employee compensation (in millions)

2009	2008	2007	2006	2005
$269	$246	$235	$212	$194

* Reported values are actual figures that have been included on SaskPower employees' T4 or T4A forms. These do not include any contractor payments made via disbursement accounting.

Our company's contributions to the provincial economy also included $18 million in grants-in-lieu of taxes payable to local governments, as well as approximately $53 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. In addition, we collected $45 million in municipal surcharges for redistribution to 403 cities, towns and villages.

Payments to governments (in millions)

2009	2008	2007	2006	2005
$123	$114	$122	$119	$104

* As per CEA SE program guidelines, may include federal or provincial income taxes, GST and PST; dividends paid in lieu of taxes; debt retirement payments; payments made to a government shareholder/owner of a utility/realty; business taxes or grants paid-in-lieu of taxes to a municipality; provincial government payments for hydroelectric or other water use rights; payments made for emission charges; fees for crown land leases or annual rental payments; and any other required payment or contribution to a government department or agency.

In order to enhance business development — especially in the North — our company regularly partners with regional development agencies and Aboriginal communities and organizations to hold information sessions. Existing and potential suppliers are able to learn about SaskPower's procurement requirements, processes and policies.

Security of supply

The province's electrical system
Our company's mission is to provide safe, reliable and sustainable power to our customers. To provide service, SaskPower maintains a generating capacity greater than the province's peak demand. At the end of 2009, our company's available generation capacity was 3,840 megawatts (MW). This included 3,371 MW available from our company's own assets — three coal-fired stations, seven hydro stations, five natural gas stations and two wind generation facilities.

SaskPower also has an available generation capacity of 469 MW through long-term power purchase agreements with the following facilities: the gas-fired Cory Cogeneration Station near Saskatoon; the gas-fired Meridian Cogeneration Station at Lloydminster; the SunBridge Wind Power Project near Swift Current; and the NRGreen Kerrobert, Loreburn, Estlin and Alameda Heat Recovery Projects. This total available generating capacity is higher than our company's record system peak load of 3,231 MW, which was set in December 2009.

Our company maintains 157,573 km of power lines (12,404 km transmission and 145,169 km distribution) in Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres — cities, towns or large industrial or commercial customers. Distribution lines are lower voltage lines (under 25,000 volts) that take electricity to residential users and smaller commercial consumers. The challenge of managing this system is considerable because of the large geographic size of the province, location of various sources of generation, and a dispersed and relatively small population.

SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These provide our company with the capability to import or export electricity to meet higher internal demand or to take advantage of export market opportunities. Under normal system conditions, the import capability is 275 MW from Manitoba, 75 MW from Alberta and 150 MW from North Dakota. The export capability is 150 MW to Manitoba, 153 MW to Alberta and 125 MW to North Dakota. However, both imports and exports from Manitoba and North Dakota are interdependent and the capabilities cannot be achieved simultaneously.

These interconnection capabilities vary with system conditions, including generation and load level. In compliance with the open access transmission tariff (OATT), SaskPower is required to compete with other suppliers for access to these interconnections. The OATT enables competitors to schedule access to our company's transmission system, allowing them to move power through Saskatchewan or sell to SaskPower's wholesale (reseller) customers.

Future planning

In 2009, SaskPower publicly released *Powering A Sustainable Energy Future: The Electricity and Conservation Strategy For Meeting Saskatchewan's Needs*. It outlines our company's extensive and ongoing system planning process, as well as discusses the challenges presented by climate change and other environmental issues.

There are two primary factors creating a requirement for new electricity generation supply sources in Saskatchewan:

1. Aging infrastructure

   The majority of SaskPower's generation, transmission and distribution system was built 30 to 50 years ago. Like other systems in North America, it's showing its age and is operating at close to full capacity. In fact, many parts have already been life-extended or rebuilt. SaskPower's vast transmission and distribution network provides the vital link between electricity generation sources and customers. Like much of our company's supply capacity, it too requires considerable replacement, upgrades and expansion.

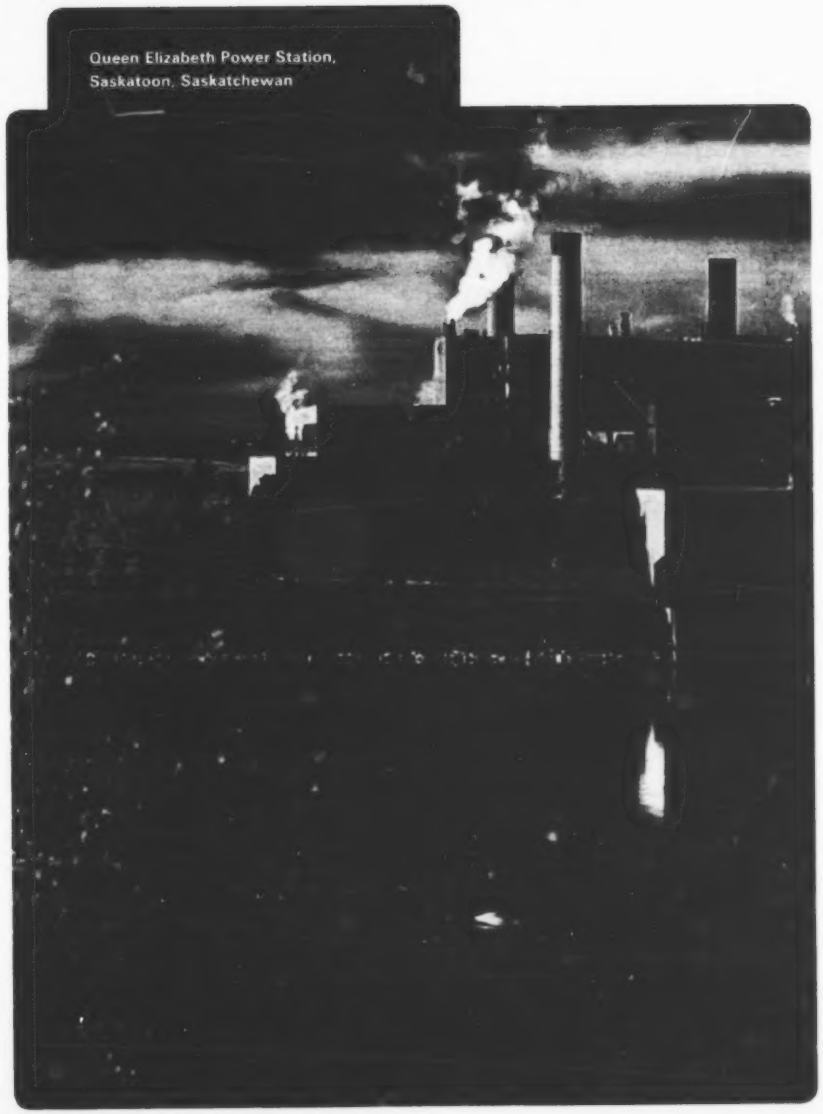
2. Load growth

   In the past 10 years, electricity demand has grown by an average of 1.8% each year. During the next decade, system peak demand is expected to increase by approximately 2.4% per year. This will considerably affect the amount of electricity required. By 2019, it is estimated that the system peak will increase by 842 MW to 4,230 MW — an average growth of over 94 MW per year.

In looking to the future, our planning for the short, medium and long terms will have to take into consideration a variety of unavoidable constraints. In particular, all future supply options will have to meet stringent federal environmental regulations associated with air emissions and water and biodiversity issues that are historically unprecedented. Addressing these regulatory requirements will come at a considerable cost and could mean that a reliance on conventional coal-fired generation may no longer be an option.

Meeting customer requirements will call for significant new generation, transmission and distribution infrastructure. SaskPower is securing our province's short-term needs for the next five years by:

- Using customer-focused energy efficiency, conservation and load management programs.
- Installing natural gas turbines that enhance system flexibility and lay the groundwork for the addition of more wind power.
- Encouraging Independent Power Producer development of renewables, such as wind and biomass.



Queen Elizabeth Power Station, Saskatoon, Saskatchewan

- Pursuing new generation technologies, including the development of one of the world's first and largest integrated carbon capture and storage demonstration projects.
- Undertaking short-term import contracts with neighbouring utilities.
- Upgrading voltages and building new lines to reduce line losses on the transmission system.

Our strategy also outlines forecasts for the medium and long terms. It presents a broad range of future electricity supply options, along with estimated costs, advantages and disadvantages. Our company sees ongoing stakeholder engagement and public input as central to the successful development and execution of a well-balanced conservation, generation, transmission and distribution strategy.

Gas-fired generation

Through the addition of three simple cycle gas turbine facilities with the total capacity of 340 MW, our company is continuing to reinforce Saskatchewan's electrical system. Recently commissioned units are located at the Ermine Switching Station near Kerrobert and Queen Elizabeth Power Station in Saskatoon.

As a result of a request for proposals (RFP) for peaking generation, our company has entered into a 25-year purchase agreement with Northland Power. The company will construct an 86-MW simple cycle gas turbine near Tantallon. The facility is expected to begin providing power to the provincial grid beginning in late 2011.

Following an RFP for between 200 and 400 MW of intermediate to baseload generation, SaskPower recently announced a 20-year power purchase agreement with Northland Power for 261 MW. The company will begin providing gas-fired generation from a facility located near North Battleford by 2013.

Capital expenditures (in millions)

	2009	2008	2007	2006	2005
Generation	**$ 369**	$ 207	$ 107	$ 113	$ 297
Transmission & distribution	**221**	177	146	145	150
Other	**50**	38	27	27	26
Total	**$ 640**	$ 422	$ 280	$ 285	$ 473

Renewables and clean energy technologies

Through the installation of gas units, SaskPower has been laying the foundation for the addition of more wind power as natural gas generation can act as a quick-starting backup form of supply. Previously, our company reached an agreement with Red Lily Wind Power LP to purchase electricity by 2011 from a 25-MW wind facility being developed near Moosomin. In 2009, SaskPower's Wind Power Integration and Development Unit completed an investigation into the technical and operational issues associated with adding more wind power within the province. The study concluded that an additional 200 MW of wind generation could be added with manageable operational impacts and costs.

As a result, our company will more than double wind power production through two new programs. Under the Green Options Plan, SaskPower will undertake a competitive process to procure up to 175 MW of wind power from one or more Independent Power Producers. Meanwhile, the Green Options Partners Program will see the purchase of up to 50 MW of renewable power from private sector developers, with up to 25 MW of the total coming from wind power. The remainder will be generated through proven clean technologies, such as biomass, flare gas, heat recovery, low-impact hydro, or solar.

Internal efficiency

In 2009, a number of refurbishment projects were active in locations throughout Saskatchewan. Work included major overhauls at Queen Elizabeth Power Station Unit #2 and Boundary Dam Power Station Unit #2.

Plans are underway for a $30-million upgrade to Units #7 and #8 at E.B. Campbell Hydroelectric Station near Nipawin. This will include the installation of new turbine runners to reduce maintenance and improve the efficiency and operating range of the 42-MW units. The upgrades will allow the station to provide additional energy, eliminating approximately 8,000 tonnes of GHG emissions in an average year by reducing the need for fossil-fuel generation. The project is part of an overall hydro facility refurbishment program of approximately $140 million over five years. Extensive refurbishment work will also be carried out at Coteau Creek Hydroelectric Station and Island Falls Hydroelectric Station.

Our company began the Online Performance Monitoring Project in 2009, which is adding real-time coal and gas

Queen Elizabeth Power Station gas turbine construction

generation efficiency and condition monitoring software along with new field instrumentation. The software, instrumentation and software configuration have been completed for three 300-MW units — two at Poplar River Power Station and one at Shand Power Station. The project is now providing a real-time unit heat rate and summary of all unit losses.

SaskPower also participated in a Natural Resources Canada study on energy use and energy efficiency in the fossil fuel power generation sector. The assessment is using a benchmarking approach to evaluate current energy efficiency and implementation of technical and management best practices. Meanwhile, in 2009, electrical savings of approximately 110,161 kilowatt hours (kWh) were gained by replacing arc lamp lighting with new T5 fluorescent fixtures in a number of our buildings in Regina.

Grid losses monitoring

Our company began an initiative to monitor grid losses on the SaskPower bulk electric system in 2003. At that time, it was identified that four strategic points on the system needed to be maintained in a tight band to reduce the overall losses of our company's grid system. In addition, it was recognized that a further seven non-generation points would have to be monitored and kept below certain voltage levels because of grid restrictions in those areas of the province. As a result, the voltages at these key points are monitored at all hours. If any one of these has a voltage not within the predetermined bands or is exceeding its upper limit, the overall grid losses are increased and the bulk electric system is not optimized. Prior to implementing the Voltage Loss Monitoring Program, the performance of the system operators was monitored for four months and became the baseline for any future grid loss optimization.

Voltage Loss Monitoring Program (savings in MWh [% optimized])

2009	**7,794 (89.0%)**
2008	7,763 (88.6%)
2007	7,555 (86.2%)
2006	7,170 (82.1%)
2005	6,963 (79.5%)

Net Metering Program

In 2009, SaskPower continued funding of the province's Net Metering Program. The initiative now offers a maximum $35,000 incentive for residents who wish to participate, with a maximum of $10,000 of the total coming from SaskPower. SaskPower also offers a loan program for those customers wishing to borrow up to $50,000 to install net metering equipment. Net metering allows customers who generate their own electricity to feed excess power back to SaskPower's system and bank credits for up to one year to offset future electricity use. Only environmentally friendly technologies are eligible, and include wind, solar, low-impact hydro, biomass, flare gas and heat recovery. The program allows customers to generate up to 100 kilowatts (kW) of their own electricity for the purpose of offsetting power that would otherwise be purchased from our company. In order to accommodate net metering, a bi-directional or net meter is installed by SaskPower. There were 77 net metering participants as of the end of 2009.

Small Power Producers Policy

In addition to the Net Metering Program, SaskPower continues to offer a Small Power Producers Policy. This program applies to wind- and solar-powered facilities as well as other viable generating sources that are a maximum of 100 kW in size and are used to offset the electricity that would otherwise be purchased from SaskPower. Under the Small Power Producers Policy, SaskPower will purchase excess energy at the marginal price for that electricity.

Alternative Farm Energy Solar- or Wind-Powered Livestock Water Pumping Incentive Program

This initiative offers a grant equal to 50% of the cost above $500, to a maximum of $500, toward the purchase and installation of a solar- or wind-powered water pumping system for farm livestock. This assists producers who would otherwise have to run power lines to remote wells, dug-outs or streams. In 2009, 147 solar grants were provided for a total of $72,755 and five wind grants provided for a total of $2,385.

GreenPower

SaskPower GreenPower is an optional electricity product providing customers the opportunity to support the development of EcoLogo-certified renewable energy in Saskatchewan. Introduced in 2002, GreenPower is supported by individuals and small and large businesses from all parts of the province. The Independent Power Producer-operated 11-MW SunBridge Wind Power Project and SaskPower-owned 11-MW Cypress Wind Power Facility supply GreenPower.

With over 1,200 subscribers, our GreenPower supply is now exhausted. We have temporarily stopped taking new applications for the program while it is being assessed. We are reviewing a number of renewable supply options to ensure we are able to continue to meet the growing demand for GreenPower.

Reliability

Transmission and distribution infrastructure

In 2009, our company continued efforts to improve the reliability of SaskPower's transmission and distribution system. After nearly three years of route selections, environmental assessments, public consultations and final design and tendering, construction commenced on the Poplar River to Pasqua 230-kilovolt (kV) Transmission Line. The 160-km project will be completed in 2010, enhancing system reliability and transfer capability for the capacity increases of the recently uprated generators at Poplar River Power Station.

Our company is planning to build a number of new transmission lines to serve the province, including some related to expansion of the natural resources sector. Oil and natural gas sector projects include a $5.8-million 230-kV transmission line up to 24 km long connecting a facility near Liebenthal, as well as a $3.2-million 138-kV transmission line up to 15.6 km long connecting a facility near Stewart Valley. SaskPower is also proposing to build a 138-kV transmission line to supply additional power to a potash mine near Vanscoy. In 2009, environmental assessments, public consultation and route selection were carried out for these and other capital projects.

SaskPower has introduced two programs to help reduce safety risk in rural Saskatchewan, while also replacing aging infrastructure. Under the Farmyard Power Line Relocation Program, our company will pay 75% of the cost to bury or relocate overhead power lines in farmyards. Customers are responsible for the remaining 25%, up to a maximum contribution of $2,000. This initiative was fully subscribed in 2009, and a waiting list was created for 2010.

The Rural Electrical Distribution Program is supporting a long-term strategy to improve the existing distribution system in the province. Overhead lines in fields will be moved and replaced with overhead lines in road allowances. Criteria for this program will be based on the need to replace or upgrade aging infrastructure. To date, SaskPower has completed five pilot projects. They include rebuilding 91 km of power lines, with 892 poles removed from farm fields and the conversion of 24 farm services to underground.

System average interruption duration index (SAIDI)

2009	2008	2007	2006	2005
4.50	3.83	4.51	3.99	4.23

* SAIDI is a measure of the average service interruption length in hours from a customer's point of view. This is used to track SaskPower's performance in responding to outages. To achieve its target, our company focuses on a number of initiatives, including the Rural Electrical Distribution Program, Wood Pole Replacement Program and Vegetation Management Program. These initiatives are designed to reduce outages that are considered controllable. In 2009, the SAIDI increase was largely due to additional maintenance work, which resulted in a higher than expected number of planned outages.

System average interruption frequency index (SAIFI)

2009	2008	2007	2006	2005
1.98	1.80	1.99	1.74	1.73

* SAIFI is a measure of the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system. As noted for SAIDI, SaskPower continues to focus on a number of initiatives in an effort to meet its targeted level of service. In 2009, the SAIFI measured a greater number of interruptions due to an increased number of planned outages for maintenance work.

Inter-utility transmission interconnections

Through our transmission interconnections with Manitoba, North Dakota and Alberta, SaskPower operates as part of the larger North American power system. Aside from facilitating the opportunities to purchase energy when prices outside of the province are low or to sell into higher-priced markets, the interconnections benefit our company in other ways. They give us access to generation that we can purchase to meet unanticipated capacity shortfalls. The interconnections also allow SaskPower to maintain service through disturbances caused by the unexpected loss of large generating units within the province.

SaskPower is also working with a number of regional partners to examine the technical, economic and environmental feasibility of constructing a 500-kV high voltage direct current (HVDC) transmission line. It would run across Saskatchewan, from Calgary to Winnipeg.

Transmission line in northern Saskatchewan

Real-time monitoring of grid transmission operation

SaskPower staff monitor the performance of the provincial transmission grid in real time through a centralized computer-based system. This allows them to make necessary adjustments to the operation of the grid, including starting up and shutting off generators to balance against the system load as it changes throughout the day.

Real-time monitoring ensures the system is always operating in a secure and reliable manner and allows for the response to emerging situations. All of SaskPower's high voltage switching stations are remotely monitored and controlled.

If transmission lines or apparatuses trip out because of lightning or other events, these disturbances show up on the control system and the system operators can take action to attempt to re-energize the equipment. This minimizes the disturbance to customers. In the event of permanent equipment damage, staff can be called out to investigate and make required repairs, potentially reconfiguring the operation of the grid to facilitate restoration of service if the damaged equipment remains out of service.

Bulk electric system reliability standards

Because of our inter-utility interconnections, disturbances in the Saskatchewan system can affect parties outside of the province. Conversely, disturbances originating outside of Saskatchewan can result in the disruption of service to customers here. Given this risk, utilities recognize the benefits of planning and operating their systems to an agreed set of standards to attempt to avoid or minimize large-scale disturbances.

The North American Electric Reliability Corporation (NERC) is an industry-led organization that develops reliability standards for the planning and operation of the interconnected electric system. Mandatory compliance with NERC reliability standards is enforced in the United States by the Federal Energy Regulatory Commission. In Canada, all of the interconnected provinces have a process to support adoption of NERC reliability standards.

SaskPower has made a corporate commitment to adopt applicable NERC reliability standards for the planning and operation of our bulk electric system.

In 2009, SaskPower prepared for the establishment of the Saskatchewan Electric Reliability Authority to facilitate this goal. It will provide a process for adopting reliability standards for use in the province. It will also monitor compliance with the adopted standards.

Emergency preparedness
In 2009, SaskPower continued to build its Enterprise Risk Management Program to further strengthen risk management capabilities and complete the development of a comprehensive risk register. The register identifies the most significant risks for each business unit and corporate group, as well as the plans to manage them.

SaskPower has an ongoing Business Continuity Management Program that includes emergency response plans and trained responders at all power stations. Our Transmission and Distribution business unit has developed severe weather and widespread damage response plans and procedures. These plans are being improved and further integrated. In May 2009, SaskPower implemented a comprehensive Influenza Pandemic and Business Continuity Plan in response to the H1N1 virus.

Energy efficiency and conservation

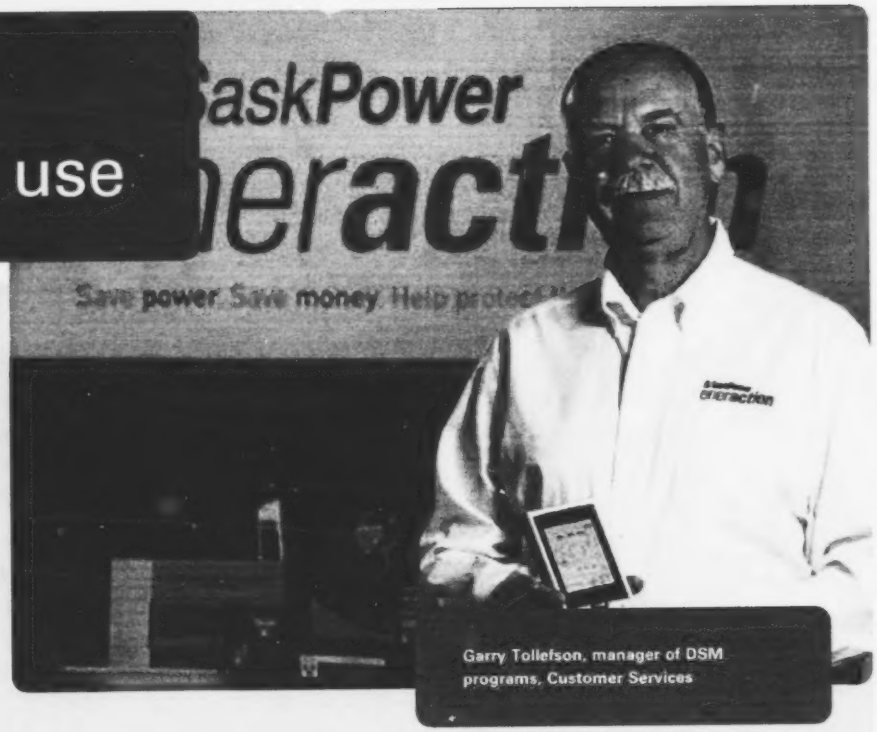
Demand Side Management (DSM)
DSM includes energy efficiency, conservation and altered patterns of electricity use. By working closely with customers to reduce and adjust electricity use, growing energy needs and costs can be mitigated. In 2009, our DSM activities provided an incremental eight gigawatt hours (GWh) of energy savings. Additional DSM programs are being developed for introduction in 2010. SaskPower will continue to build a comprehensive portfolio of DSM programs for all customer segments.

By the end of 2017, it is expected that our company's energy efficiency programming will deliver 100 MW of electricity savings. Overall, it is estimated that 10-15% of energy savings can be expected from the industrial market, 50-60% from the commercial market, 30-35% from the residential market, and up to 10% from customer generation using renewables.

SaskPower Eneraction
Through SaskPower Eneraction — our portfolio of energy efficiency, load management and conservation programs — customers are able to make informed decisions about what they can do to reduce electricity consumption. Our company is helping customers by delivering a variety of programs aimed at lessening the use of inefficient products and maximizing the smart use of electricity.

1. Energy Performance Contracting (EPC) Program
   To date, EPC initiatives are realizing combined annual customer savings of more than $3.3 million and a reduction of electricity use of 25 million kWh each year. Through an alliance with Honeywell, the program assists commercial and institutional customers in reducing energy-related operating costs through audits and efficiency upgrades. In addition to work at SaskPower's own buildings, the EPC Program has been involved in projects at over 130 locations across the province, including schools, commercial buildings, government properties and health facilities.

Taking action on energy use



Garry Tollefson, manager of DSM programs, Customer Services

If you've ever wondered what demand side management (DSM) is all about, you're not alone. Garry Tollefson, manager of DSM programs at SaskPower, wants to change that. All DSM programs were branded under the SaskPower Eneraction umbrella three years ago, says Tollefson. The goal was to make the DSM-related initiatives easy for customers to recognize and remember.

DSM describes the collection of programs offered to residential, commercial and industrial customers. The initiatives assist them in changing the ways they use energy, ultimately reducing their bills, saving power and helping protect the environment. The programming is also designed to help SaskPower Eneraction reach its target of achieving a 100-megawatt (MW) reduction in load over 10 years, from 2007 to 2017.

A refrigerator recycling pilot program aiming to get old, inefficient fridges out of use and off the market is the most recent residential initiative. Rebecca Fiissel, program leader, says exchanging $50 for an old fridge promotes responsible recycling: "We wanted to make sure we were providing some kind of incentive for these individuals not to resell their fridge or even put it in the cabin or garage."

Energy Performance Contracting (EPC) is part of SaskPower Eneraction's commercial focus. EPC is offered to large commercial customers, such as school divisions, health regions and hotel chains. It's an energy management service that helps these customers better manage energy consumption through renovations and upgrades specifically tailored for efficiency.

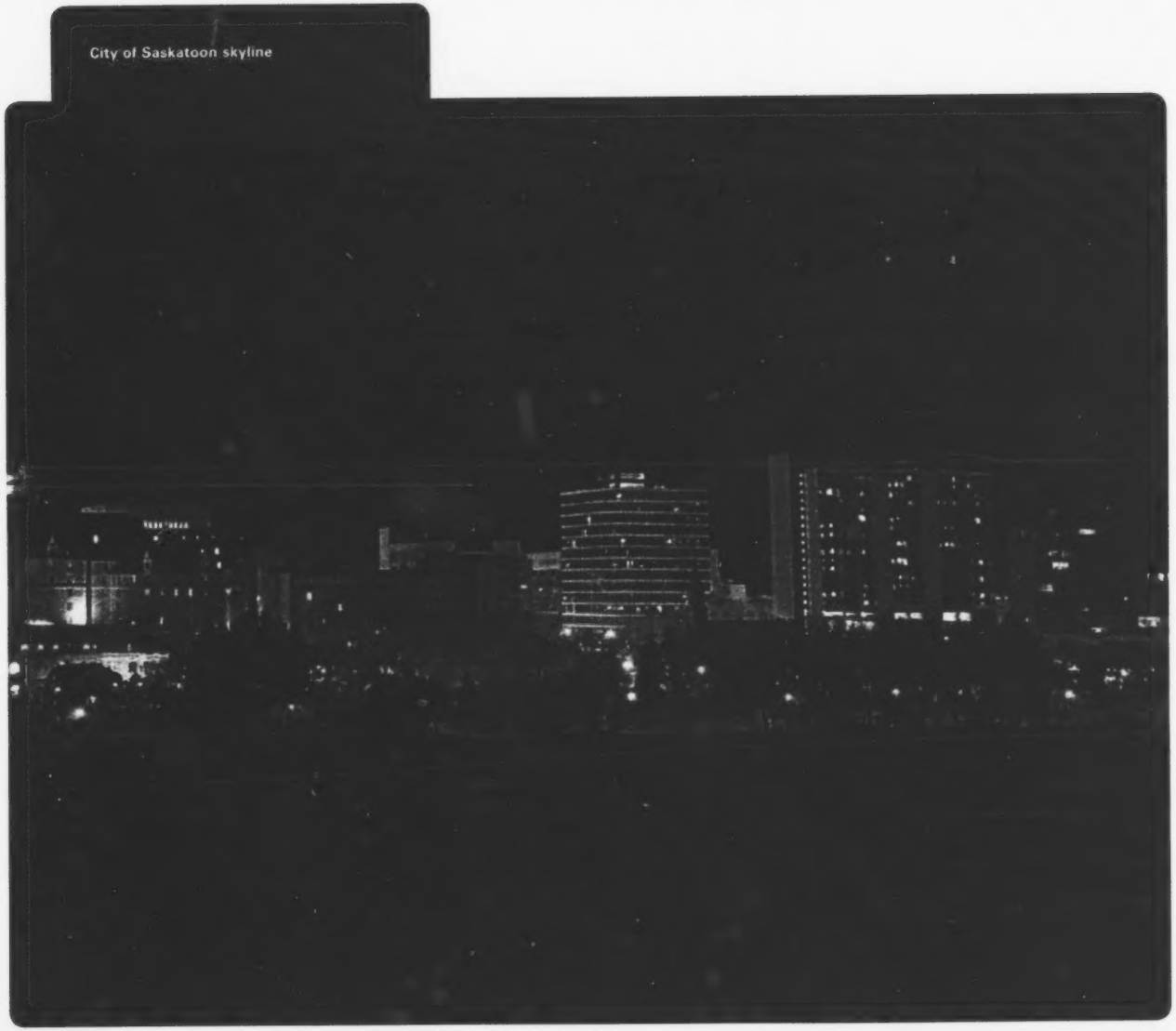
EPC projects signed to date are seeing energy efficiency upgrades made to over 200 facilities. This will avoid annual consumption of over 148 million kilowatt hours of electricity and 18 million cubic metres of natural gas, and will prevent 149 million kilograms of carbon dioxide from being released into the environment.

SaskPower Eneraction delivers the program in alliance with Honeywell. Luis Rodrigues, Honeywell's vice-president of energy solutions in Canada, says the program will revitalize aging facilities such as hospitals by helping them invest in upgrades and renovations that will save them money down the road. "Lower utility bills equal more dollars the hospitals and doctors can dedicate to the business of saving lives," says Rodrigues.

Ron Diller, director of building services and capital projects with the Kelsey Trail Health Region, is an EPC participant and says going through the process has been worth it: "It has made everybody much more conscious about keeping our energy levels down. We're happy to be a part of it and we're happy to do our part for the environment."

Meanwhile, a Demand Response Program launched in December 2009 is focusing on industrial customers. A recent study determined there is up to 120 MW of demand response potential in Saskatchewan. Participants receive financial rewards for reducing their load if SaskPower requests it.

On the whole, Tollefson says SaskPower Eneraction is poised to play an even larger role in shaping Saskatchewan's energy future: "There's a greater and a growing awareness today than even three years ago when we started this. We've seen a shift in perspective with people in our company. I think that's because they see the growing value and they want to get on board and help us make it happen. That's exciting."



City of Saskatoon skyline

In 2009, Kelsey Trail Health Region signed a $4.8-million EPC contract with SaskPower to provide efficiency upgrades to 16 health care facilities in the Tisdale area. When complete, each year the region will save over $411,500 in utility costs and, through the reduced consumption of electricity and gas, achieve the same environmental benefits as taking 379 mid-size vehicles off Saskatchewan roads.

Also, during the year, Sun Country Health Region signed a $1.7-million EPC contract that will see efficiency upgrades at 21 health care facilities in the Weyburn area. Once work is complete, the region will save over $167,000 annually and, through the reduced consumption of electricity and gas, achieve the same environmental benefits as taking 170 mid-size vehicles off the road.

2. Demand Response Program

During 2009, our company's Demand Response Assessment Project concluded. This study explored various demand response options with 18 of SaskPower's largest customers and determined that there is up to 120 MW of demand response potential in Saskatchewan. With the new Demand Response

Program established as a result of this assessment, SaskPower's large industrial customers will have the option to provide load reductions when the province is experiencing high demand for electricity, at times of system constraint, or when it provides an economic benefit for SaskPower. Participants are provided financial compensation for shifting their electricity demand.

3. Geothermal and Self-Generated Renewable Power Loan Program

Through this program, SaskPower provides low-interest loans to Saskatchewan's residential and farm customers who choose to install a geothermal heating and cooling system or a renewable power system. Eligible customers can receive a loan ranging from $1,000 to $50,000.

4. Energy Efficiency for New Homes Rebate Program

Offered in partnership with SaskEnergy, SaskPower and Go Green Saskatchewan, this program offers a rebate to residents who purchase a new home that is ENERGY STAR®-qualified, R-2000- or EnerGuide 80-certified and want to install a geothermal system.

5. Geothermal Rebate Program for Commercial Customers

Administered by the Saskatchewan Research Council (SRC), this program offers rebates to business and farm customers who install a geothermal system in a newly constructed building or retrofit an existing building. Eligible businesses can receive a 15 per cent rebate on the cost of a geothermal system to maximum rebate of $100,000.

6. Commercial Lighting Program

As part of our commitment to help customers use electricity more efficiently, SaskPower introduced a Commercial Lighting Program in 2009. Through this program, commercial businesses can access premium efficient fluorescent T8 lighting at standard T8 lighting costs when purchased through participating lighting distributors.

7. Black & Decker Power Monitor™ Campaign

In 2009, SaskPower offered a $30 instant rebate on the Black & Decker Power Monitor™ when purchased at participating Best Buy, Canadian Tire, Federated Co-op, Future Shop, Home Depot, Home Hardware, RONA and Superstore locations across the province. A power monitor provides real-time electricity use and cost information to help customers understand their power use and make informed decisions about how to use less electricity in their homes and reduce their power bills.

8. Municipal Ice Rink Program

Delivered in partnership with the SRC, this program is designed to help municipal ice rink operators reduce the energy costs associated with operating local rinks. The program includes comprehensive energy assessment and retrofit services and assists municipalities in accessing existing provincial and federal funding and grant programs.

9. Exchange for the Better Campaign

In the fall of 2009, SaskPower partnered with Canadian Tire, Co-op, Home Hardware, Home Depot, True Value and Walmart locations in Saskatchewan to offer a series of rebate and exchange programs to encourage the use of energy-efficient devices. "Exchange for the Better" offered discounts on dimmer switches, power bars with timers and/or sensors, outdoor motion sensors and block heater and lighting timers. Additionally, in the month of October, customers were encouraged to bring in their inefficient standing halogen floor lamps to one of the participating retailers and receive $25 off the purchase of selected ENERGY STAR®-qualified light fixtures. In November, customers who brought their incandescent seasonal light strings to a participating retailer received $3 off a new string of ENERGY STAR®-qualified LED light strings.

The results of the "Exchange for the Better" campaign were:

- 5,841 coupons redeemed through participating retailers.
- 27,271 incandescent light strings returned over two weekends.
- 3,528 halogen standing floor lamps returned over two weekends.

Social performance

Public engagement | Safety | Workplace and diversity | First Nations and Métis relations | Corporate citizenship

Public engagement

We believe that a strong relationship with those who have a shared interest in SaskPower is fundamental to our company's success. We pursue a connection with all customers and stakeholders that is transparent and accountable. And we are working to ensure a strong level of two-way communication.

Stakeholder relations

A strong relationship with those who have a shared interest in SaskPower is fundamental to our company's success. As a result, our company regularly consults with a wide variety of stakeholders. When we are beginning work to construct a new facility or improve an existing one, public consultation is central to our efforts.

Our consultation typically includes early contact with local officials, distribution of detailed project information, open house sessions, meetings with individuals and interest groups, media releases, advertisements, and direct correspondence and discussion. Results of public consultation are frequently included in project application and approval processes that are filed with regulators. SaskPower also tracks external inquiries in our Environmental Management System (EMS).

Outside of our formal public consultation process, SaskPower maintains ongoing dialogue with a wide variety of key stakeholders, including:

- Our shareholder, the Crown Investments Corporation/Government of Saskatchewan.
- Customers.
- Employees.
- Regulatory and financial agencies.
- Strategic partners.
- Business and business associations.
- Suppliers.
- First Nations and Métis communities.
- Community organizations.
- Environmental organizations.

In 2009, SaskPower's Board of Directors added a strategic priority reinforcing the importance of informed and engaged stakeholders. As our company's load and customer base grows and environmental pressures increase, it will be crucial to have trust-based relationships with all key stakeholders to ensure infrastructure renewal and expansion is done in partnership and consultation with customers, communities and business.

During the year, the province's Future of Uranium Public Consultation Process led to greater public interest in Saskatchewan's energy future. As a result, the provincial government called upon the Standing Committee on Crown and Central Agencies to conduct an "inquiry to determine how the province can best meet the growing demand for electricity in a manner that is safe, reliable, environmentally sustainable and affordable for Saskatchewan residents." In addition to participating in hearings that extended into 2010, SaskPower released a new electricity and conservation strategy to the public.

Above: Open house for Tantallon gas turbine project

Previous page: SaskPower employees volunteering with Habitat for Humanity

Prior to the preparation of our first sustainability report, five face-to-face discussion groups and 19 individual interviews were conducted in areas including rural, urban and First Nations communities. Additional telephone interviews were conducted with individuals in both Saskatchewan and Alberta.

Through this research, we found that participants expect a sustainability report to outline future plans and provide a transparent evaluation of our company's performance against plans and legislative requirements. They chose security of supply, energy efficiency, environment, stewardship and biodiversity, and climate change as the most important out of a list of sustainability issues.

Safety

Approach

SaskPower is committed to the health, safety and well-being of its employees, contractors and the public. SaskPower's health and safety efforts are led by our Corporate Safety Department, which provides a central body of expertise and resources. It is responsible for facilitating the development, implementation, administration and maintenance of our company's safety strategy, General Health and Safety Policy, and Safety Management System (SMS). The department also sets objectives and targets for SaskPower's safety performance.

Safety strategic direction

Vision

To make safety as important as anything we do and part of everything we do.

Mission

To lead and support SaskPower's commitment to being an industry leader in health and safety performance, and provide a workplace and public service free from harm or damage.

Values

- Health and safety are an integral part of every job.
- We can conduct our business without injury.
- All incidents are preventable.

Strategic objectives

- Continuous improvement of SaskPower's Safety Management System.
- Culture where safety is as important as anything we do and part of everything we do.
- Safety organization capable of leading SaskPower to the realization of its business objectives.
- Industry leading health and safety performance.

Occupation Health and Safety Assessment Series (OHSAS) 18001 Safety Management System (SMS)

Our company's SMS provides information to minimize health and safety risks. It also provides financial, human and technological resources to achieve our health and safety goals. The policies and standards of the SMS set the framework for meeting our commitments and keeping our employees safe.

As part of our registration under the OHSAS 18001 standard, an international standard intended to help organizations control occupational health and safety risks, SaskPower has a comprehensive safety strategy and safety management system to control workplace health and safety risks. Policies and procedures for worker safety, including personal protective equipment, hazard and risk assessment requirements, and incident reporting to raise awareness of causes and prevention, are all components of the SMS.

OHSAS 18001 is based on a methodology known as Plan-Do-Check-Act:

- Plan: Establish the objectives and processes necessary to deliver results.
- Do: Implement the process.
- Check: Monitor and measure processes against Occupational Health and Safety (OH&S) policy, objectives, legal and other requirements, and report the results.
- Act: Take actions to continually improve OH&S performance.

SaskPower employees are responsible for implementing the SMS and helping it evolve. To ensure the SMS is being used and maintained effectively, internal and external SMS audits are held each year to monitor for compliance to OHSAS 18001.

Corrective and preventive actions are taken to eliminate the cause of detected nonconformities or other undesirable situations. Corrective action is taken to prevent recurrence, whereas preventive action is taken to prevent occurrence.

Cross-functional committees — our Safety Council, Safety Network and local OH&S committees — tie together the overall health and safety activities, deal with corporate-wide issues, share best practices, and use the expertise of health and safety professionals throughout our company to advance our objective of preventing all injuries. In 2009, our company experienced the fewest ever lost days due to work-related injuries.

Lost-time injury frequency rate

2009	2008	2007	2006	2005
1.18	1.30	1.59	1.61	1.86

* The lost time injury frequency rate is a corporate-wide indicator that calculates the number of lost-time injuries, normalized in relation to the total number of employee work hours in the injured worker's department. The normalization is done based on a standard formula designed by the Canadian Electricity Association.

Lost-time injury severity rate

2009	2008	2007	2006	2005
13.55	29.4	47.77	58.26	39.79

* The lost-time injury severity rate is a corporate-wide indicator that measures the number of calendar days lost due to lost time injuries, normalized according to the total number of employee work hours in the injured worker's department. The normalization is done based on a standard formula designed by the Canadian Electricity Association.

Alan Olsen, district operator, Transmission and Distribution

Programming
In 2009, SaskPower also developed the new Contractor Health and Safety Management Program and Policy; Public Safety Policy and initiatives; and Corporate Health and Wellness Program for employees.

Each year, SaskPower undertakes extensive awareness campaigns to inform the public of ways to work safely around electricity on the farm. In 2009, SaskPower ran two campaigns — one during spring seeding and one during fall harvest — to remind farmers of electrical safety risks and what to do if they contact a power line or come across a downed line. Our company also used a live electrical display with actual power equipment to demonstrate electrical hazards on the farm at agriculture-themed trade shows across Saskatchewan. An animated video describing risks on the farm was also posted on saskpower.com.

Public line side fatalities

2009	2008	2007	2006	2005
0	1	1	0	1

* Includes fatal electrical incidents involving persons not in the employ of, or under contract to, SaskPower, and that occur as a result of contact with SaskPower lines or electrical equipment.

In partnership with the Saskatchewan Safety Council, SaskPower promotes safety to children through the PowerPac Program. The program's specially trained teen ambassadors speak to more than 30,000 students each school year focusing on safety around electricity.

Through our company's Gas and Electrical Inspections Division, SaskPower provides permits and inspections to ensure the safe installation and operation of gas and electrical equipment. Each fall and winter, SaskPower runs a northern safety campaign to inform the public about the safe use and maintenance of propane heating equipment. Throughout the year, SaskPower inspectors have regular face-to-face contact with homeowners and industrial audiences through the inspections process. During these visits, members of the public receive information about the safe use of electricity and gas.

In addition, SaskPower regularly provides its customers with electrical and gas safety information through advertising campaigns, print and interactive material, public service announcements, media relations activities and face-to-face communications at trade shows and public presentations.

Workplace and diversity

Attracting and retaining employees
Everything that SaskPower accomplishes results from the expertise and dedication of our people. With 39% of SaskPower employees likely to retire within the next 10 years, the ability to attract and retain talent is paramount to SaskPower's success.

A new workforce plan addresses the challenges arising with an aging workforce and the increasing competition for certain skill sets. Talent supply and demand issues have been identified, along with appropriate sourcing strategies to address possible shortfalls. Competitive pay and benefits assist in attraction and retention, with benefits estimated to add approximately an additional 30% value to an individual's salary.

Creating a culture of inclusion

SaskPower's multi-year efforts to enhance its Diversity Program are paying dividends. In addition to further strengthening support and programming for employees, the company has been named one of Canada's best diversity employers.

"The program is about inclusion," says Pauline Streete, diversity leader at SaskPower. "It's about an environment where people actually want to come to work and where they feel welcome and that they belong despite perceived differences."

The program's success didn't come overnight. Streete says SaskPower has worked toward heightened diversity for more than 20 years. A revised approach was launched in 2001 before the current Diversity Strategy was introduced in 2008.

"The program has four main components — awareness, learning, accountability and culture change. Culture change is ultimately where we want to be," says Streete, adding the first three pieces need to be in place and engrained in all aspects of how business is done before culture change can occur.

Four affinity groups support the Diversity Program: the Network of Employees for Disabilities (NED); Visible Minorities Network (VMN); Women's Resource Group (WRG); and Aboriginal Employees Network (AEN).

AEN builds bridges between Aboriginal and non-Aboriginal employees. It also provides a voice to Aboriginal employees and a supportive work environment. NED is an advisory and advocacy group helping SaskPower become a healthy community for all employees with disabilities. VMN acts as a consultative body to a diversity committee, senior management, employees and unions on issues affecting the recruitment, retention, career development and progress of employees from the visible minority community. WRG provides support for women in trades, technology and engineering roles while promoting the recruitment and retention of women in those areas.

"We draw on the affinity groups because we deem them to be the experts in their area," says Streete. "They feed us with what they feel is necessary to foster inclusion with respect to the various groups."

Pauline Streete, diversity leader, Human Resources

Gail Shaw is one of the chairs of the NED. The accountant with corporate and financial services says she's pleased to work at SaskPower: "I feel very proud that SaskPower has the diversity program and is a leader in making this corporation and the world a better, healthier place to work and live. It means a great deal to me that any company I work for or may work for in the future has a program of this type and would include it in my considerations before accepting another position anywhere."

Streete believes diversity goes hand-in-hand with sustainability. "How do you have sustainable communities if people don't feel welcome?" she asks, adding that it is highly beneficial for people to be attracted to SaskPower from around the globe. "We have individuals that have worked in power plants in other countries that bring some of that knowledge to SaskPower."

The Diversity Program is also reaching beyond SaskPower into the communities it serves. Streete says the affinity groups have organized initiatives that have led to donating clothing to women's shelters, a knapsack giveaway program for a community school, science fairs for children and more. "We recognize that if we have a presence in the community, it makes us a more viable place where people may want to come and work."

SaskPower continues to respond to feedback received in the most recent employee engagement survey. An enhanced performance management system was rolled out to better align employees with company goals and to facilitate improved communications between employees at all levels. A career management program has been launched to provide employees the tools to map out a rewarding future with our company. A new employee engagement survey is being conducted in 2010.

Reflecting the communities we serve

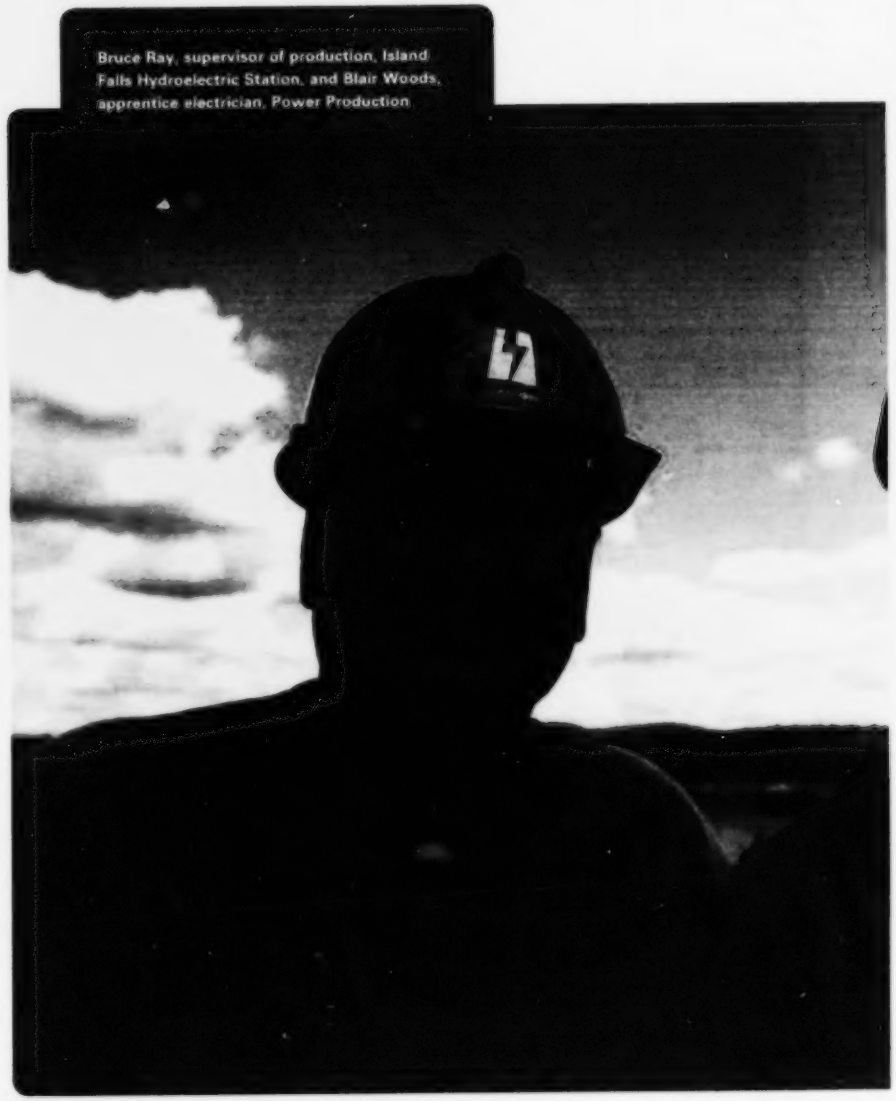
SaskPower has a commitment to workforce diversity that includes Aboriginal people, individuals with disabilities, visible minorities, and women. Employees from these four groups assist the organization in achieving business objectives in a number of ways, such as attending career fairs, promoting retention, advising on inclusive communications, and supporting the development of diversity-related programming.

Net increase in diversity employees

	2007	2008	**2009**	2010	2011	2012
Target			**80**	85	90	95
Actual	63	51	**110**			

SaskPower's Diversity department oversees and provides guidance and direction to the activities of the joint union/management Diversity Committee. This acts as an umbrella for internal affinity groups — the Aboriginal Employees Network (AEN), the Network of Employees for Disabilities (NED), the Visible Minorities Network (VMN) and the Women's Resource Group (WRG). The overarching goal of the Diversity Committee and the four affinity groups is to ensure SaskPower is recognized as the employer of choice within the respective communities.

In 2009, SaskPower held the second annual Diversity Week. Its purpose was to encourage employees to be the difference with respect to workplace diversity through a variety of informal learning activities. In addition, a one-day conference for senior executive, hiring managers and supervisors was held. Throughout the year, 11 Lunch 'n Learn gatherings were held, marking events from Aboriginal Awareness Week to International Day of Persons with Disabilities.



Bruce Ray, supervisor of production, Island Falls Hydroelectric Station, and Blair Woods, apprentice electrician, Power Production

Meanwhile, SaskPower was recognized for excellence in diversity by the 2009 Top 100 Employers competition. The program recognizes Canadian employers with exceptional workplace diversity and inclusiveness programs.

First Nations and Métis relations

Developing partnerships

SaskPower is working to promote clear and open communication in response to social, economic and environmental issues that are of concern to First Nations and Métis communities and SaskPower. Our company is also seeking to develop mutually beneficial business relationships with Aboriginal communities by supporting economic development activities.

Initiatives with First Nations and Métis communities are conducted with a respect for traditional culture and values, while also recognizing that their input is an integral component of successful project development, operation and mitigation of impacts. When it comes to our activities and planned projects, our company is committed to informing and consulting with First Nations and Métis communities at an early stage and incorporating community knowledge and input. Examples of projects that involved First Nations communities in 2009 were the Boundary Dam Spillway near Estevan and the Yellowhead Power Station near North Battleford.

In Saskatchewan, the Aboriginal population is one of the fastest growing segments in our province, and will represent an important source of future employees for our company. As a result, SaskPower is providing employment, contracting, and other opportunities for Aboriginal people, businesses and communities. Our company has developed a partnership with the Saskatchewan Indian Institute of Technologies to provide employment opportunities at SaskPower for students, where they can gain valuable hands-on work experience in our information technology business area.

Forming solid business partnerships is another way in which SaskPower and Aboriginal people, businesses and their communities are mutually benefitting from electricity-related industry projects and operations. SaskPower and the Black Lake First Nation are working together to allow for environmental and engineering studies to move forward for a potential run-of-the-river hydroelectric project at Elizabeth Falls near Stony Rapids.

At a national level, SaskPower is a participating member of the CEA's Aboriginal Relations Task Group, as well as the Conference Board of Canada's Council on Corporate Aboriginal Relations, which enables members to share experiences and best practices.

NorthStart

In 1985, SaskPower assumed operation of the Island Falls Hydroelectric Station. With its acquisition, our company sought to build a better relationship with residents of Sandy Bay. In 1997, the International Brotherhood of Electrical Workers Local 2067 and the people of Sandy Bay formed a partnership — NorthStart. The goal of the program — the first of its kind in North America — was to increase employment and open doors for more career options for residents of the area.

The intention was that as incumbent employees retired or moved on, local employees who had been trained through NorthStart would move into these positions. The goal at the time of the agreement was to have all permanent plant maintenance and operations employees of the hydro station eventually headquartered or living in Sandy Bay.

At the time NorthStart began, 13 Sandy Bay residents worked at the station. Today, a total of 24 Aboriginal Sandy Bay residents are employed under this agreement.

Corporate citizenship

A place in our community

In support of SaskPower's strategic priorities and values, SaskPower has historically budgeted approximately $1.4 million in annual support to non-profit organizations across the province. These contributions fund and support hundreds of events, activities and initiatives — as well as select capital projects — and contribute to the quality of life enjoyed by the people of Saskatchewan.

Annual charitable donations

2009	2008	2007	2006	2005
$1,545,974	$1,486,953	$1,428,270	$1,382,882	$1,958,194

* In 2009, SaskPower's expenditures were higher than historic norms due to investments in emerging capital community projects.

Contributions are provided based on the following categories, with support also directed to some diversity-related initiatives:

1. Community (culture, sports and charities)

   During the year, SaskPower was a sponsor of 71 events and programs throughout the province. These sponsorships were in the following areas: culture (art, dance, literature, music, theatre and film organizations, and community festivals); sports (amateur sports organizations); charities (non-profit and charitable organizations whose primary purpose is to raise funds for a cause that is not represented in any other category); and associations of professionals (business associations such as chambers of commerce, and professional associations such as the Association of Professional Engineers and Geoscientists of Saskatchewan).

2. Education

   In total, 28 sponsor-partnerships were forged in 2009. SaskPower was a presenting sponsor of the Skills Canada Saskatchewan competition and continued and expanded our partnerships with the Saskatchewan Institute of Applied Science and Technology, the University of Saskatchewan and the University of Regina.

3. Environment

   Some of SaskPower's 12 partnerships in the environment portfolio for 2009 included: Saskatchewan Waste Reduction Council; Saskatchewan Environmental Society's Destination Conservation Saskatchewan Program; Nature Saskatchewan's PlantWatch Program and Stewards of Saskatchewan; Saskatchewan Natural History Society; Saskatchewan Parks and Recreation Association; and Ducks Unlimited Canada.

Outreach activities and community support during the year included:

1. SaskPower Shand Greenhouse

   Educational programming from this facility includes the Energy & Our Environment Poster Contest, which encourages elementary school students to create posters that demonstrate how we all can take action in response to climate change. Meanwhile, the Energy and Our Environment ecoClips Video Challenge challenges senior high school students to make a video exploring environmental, social and political issues related to energy production and consumption. Through these initiatives and regular school tours, the greenhouse reached an estimated 2,000 students in 2009.

2. Prairie Conservation Action Plan (PCAP)

   PCAP projects include youth education (K-6) through stewardship education programs, as well as adult education for 26 partners and Saskatchewan residents through workshops (including Native Prairie Appreciation Week), speaker series, newsletter and a website.

3. Saskatchewan Environmental Society – Destination Conservation

   Destination Conservation Saskatchewan (DCS) is a practical, student-driven, activity-based program that brings environmental education alive in schools. A cooperative team of students, teachers, principals, custodians and parents work together with DCS partners in this multi-year program. Delivered in conjunction with SaskPower's EPC service, DCS helps students and staff save energy, conserve water and reduce waste while at the same time saving money.

   During the year, support was also directed to the Prairie Learning Centre, Ducks Unlimited Canada Project Webfoot, Saskatchewan Burrowing Owl Interpretive Centre and the Saskatchewan Science Centre.

System map
(as at December 31, 2009)

AVAILABLE GENERATION (net capacity)

HYDROELECTRIC

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
4. Nipawin Hydroelectric Station - 255 MW
5. E.B. Campbell Hydroelectric Station - 288 MW
12. Coteau Creek Hydroelectric Station - 186 MW

NATURAL GAS

3. Meadow Lake Power Station - 44 MW
8. Ermine Power Station - 92 MW
9. Landis Power Station - 79 MW
11. Queen Elizabeth Power Station - 429 MW
14. Success Power Station - 30 MW

WIND

15. Cypress Wind Power Facility - 11 MW
17. Centennial Wind Power Facility - 150 MW

COAL

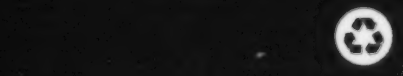
19. Poplar River Power Station - 582 MW
20. Boundary Dam Power Station - 824 MW
22. Shand Power Station - 276 MW

INDEPENDENT POWER PRODUCERS

6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
10. Cory Cogeneration Station - 228 MW
13. NRGreen Loreburn Heat Recovery Project - 5 MW
16. SunBridge Wind Power Project - 11 MW
18. NRGreen Estlin Heat Recovery Project - 5 MW
21. NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection



SaskPower uses environmentally responsible papers. By choosing 100% post consumer recycled fibre instead of virgin paper for the sustainability report, the following savings to our natural resources were realized: one tree preserved for the future, 1.8 kilograms water-borne waste not created and 2.2 cubic metres wastewater flow saved.

Above information is based on use of the following products: 100lb Cougar Cover FSC - 577 sheets (66.04cm x 101.6cm) and 80lb Cougar Text FSC - 11,746 sheets (48.26cm x 63.5cm). Data research provided by www.epa.gov and www.environmentaldefence.org.

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